

ALABAMA'S CURRENT INSURANCE MARKET

ALABAMA DEPARTMENT OF INSURANCE

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Executive Summary

The Patient Protection and Affordable Care Act (ACA) calls for every state to establish a health insurance exchange by 2014, providing a new marketplace for individuals and small groups seeking to buy coverage. This report, prepared by Mathematica Policy Research through subcontract with LMI, offers policymakers a picture of the insurance market for individuals and small groups in Alabama in 2010, and a summary of market change over the prior 5 years as reported by selected carriers. The analysis is based on carrier-reported enrollment, premiums, claims, and financial data provided by the Alabama Department of Insurance (DOI) and the National Association of Insurance Commissioners (NAIC), as well as information about popular benefit designs that several carriers reported in response to a DOI information request.

SUMMARY OF FINDINGS

Alabama's Health Insurance Market for Individuals

Blue Cross Blue Shield of Alabama (BCBSAL) is the dominant carrier in the individual market, accounting for at least 86 percent of enrollment (measured as member years) in 2010. Other significant carriers in the individual market (though much smaller than BCBSAL) include Golden Rule (4 percent of enrollment), United Healthcare Insurance Company (almost 3 percent), and Humana (2 percent). In the past 5 years, enrollment in BCBSAL's individual products more than tripled, increasing from approximately 36,000 member years in 2006 to at least 121,000 member years in 2010.

Most products sold in the individual market are preferred provider organization (PPO) products, although some carriers also offer indemnity and point-of-service products. No health management organization (HMO) products are offered in this market.

Relatively few individual products in Alabama are open to new enrollment. Instead, most individual products are closed to new enrollment, and nearly half of Alabamians with individual coverage (49 percent in the last quarter of 2010) are

enrolled in these closed products. Generally consistent with their blocks of closed products, eight carriers—including BCBSAL, Golden Rule, and Humana—reported writing grandfathered products in 2010, which are exempt from some (but not all) ACA requirements as long the benefit design and plan administration remain unchanged. In the last quarter of 2010, 61 percent of BCBSAL’s individual enrollees were in grandfathered products.

A review of benefits packages offered by BCBSAL, Golden Rule, and Humana in the individual market suggests that all carriers will need to develop and offer new products to meet the ACA’s requirements related to cost-sharing and coverage of essential services such as maternity care, behavioral health care, and prescription drugs. In addition, many smaller carriers might need to reduce their premium levels to meet the ACA’s 80-percent minimum loss ratio for individual and small group products, effective January 1, 2011. If the ACA’s minimum medical loss ratio had been in effect in 2010, approximately 23,000 individually insured Alabamians (assuming full-year enrollment) would have received an average premium rebate of 35 percent, or \$595 per person.

Alabama’s Health Insurance Market for Small Groups

At present, the small group market in Alabama serves employer groups of 2 to 50 full-time employees. BCBSAL is the dominant carrier in this market as well (accounting for more than 95 percent of insured small group enrollment), followed by United Healthcare Insurance Company (about 3 percent). Among carriers that historically reported as health companies (BCBSAL, Healthspring of Alabama, and United Healthcare of Alabama), enrollment in the group market (including both large and small groups) fell sharply over the past 5 years—from approximately 837,000 member years in 2006, to 708,800 member years in 2010. Group enrollment in BCBSAL products fell approximately 18 percent, from 826,000 to 680,000 member years, while average premiums per member per month rose 28 percent (from \$238 in 2006 to \$304 in 2010).

Most products available in the small group market in 2010 were PPO products; typically these were products open to new enrollment and available statewide. Other carriers offering at least one open small group product included Humana, John Alden, Trustmark Life, United Health Care of Alabama, and Viva Health. United Health Care of Alabama and Viva Health offer the only HMO products in the small group market.

BCBSAL’s most popular small group products, as well as those offered by United Healthcare Insurance Company, generally provided comprehensive coverage for a range of services that included maternity care and behavioral health care. BCBSAL’s small group products also covered prescription drugs, but United Healthcare Insurance Company offered only a separate prescription drug product. Both BCBSAL and United Healthcare Insurance Company offered several products with deductibles and out-of-pocket maximums that were higher than the

ACA will allow in 2014, suggesting that these carriers (and potentially others as well) will need to modify their products to meet ACA standards for qualified coverage.

In addition, many carriers in the small group market might need to reduce premium levels to comply with the ACA's 80-percent minimum loss ratio effective January 1, 2011. If the ACA's minimum medical loss ratio had been effective in 2010, approximately 13,400 insured small group workers (assuming 12-month enrollment) would have received an average premium rebate of 8 percent or \$252 per person.

Multiple Employer Welfare Arrangements and Association Health Plans

A number of carriers in the individual and small group markets, including BCBSAL, write multiple employer welfare arrangements (MEWAs), association health plans (AHPs), or both. Alabama's current regulation of AHPs is minimal: AHPs must submit rates and forms, but Alabama does not approve rates, and it approves forms only for in-state AHPs. Under new federal rules that subject rates charged to small groups enrolled in AHPs or MEWAs to the same review and reporting requirements as other small groups, insurers in Alabama will be subject to federal rate review and approval of annual rate increases that exceed 10 percent.

In addition, many carriers in Alabama provide administrative services only or also write stop loss coverage for self insured plans in Alabama or elsewhere. In light of the presence of carriers in Alabama that are already active in these lines of business, and the absence of regulation in Alabama defining a minimum attachment point for stop loss coverage, the potential for insurers to divert small group business from the Small Employer Health Options Program (SHOP) exchange to self-insured status, either individually or in AHPs or MEWAs, would appear significant.

CONCLUSIONS AND DISCUSSION: THE POTENTIAL FOR GREATER COMPETITION

In Alabama, carriers that currently operate open products in the individual and small group markets may be the most likely candidates for participating in an individual or SHOP exchange. Such carriers include at least five carriers in the individual market and at least four carriers in the small group market.

However, whether or not these carriers would participate in either the exchange (for individuals) or the SHOP exchange, most apparently will need to reduce premium levels relative to medical benefits paid and also alter benefit designs in order to be qualified plans, or otherwise comply with the ACA. In 2010, many carriers failed to meet the ACA's minimum medical loss ratio requirements which have subsequently become effective in 2011. Moreover, many offered products

that would appear not to comply with the ACA's cost sharing and essential benefits requirements for qualified health plans, effective in 2014. While expanded benefits likely will improve the value of coverage in 2014, they might also drive higher premiums if the many Alabamians who will newly enter the market are not younger and healthier than those currently enrolled, and if carriers and providers do not also pursue opportunities to improve the efficiency of care.

A number of factors could affect enrollment in coverage offered through either the individual exchange or SHOP exchange in Alabama. These include the extent to which carriers market and write products outside of the exchange; whether they would encourage the movement of individuals and/or small groups into AHPs or MEWAs; and whether they would encourage small groups, AHPs, or MEWAs to become self-insured. The degree to which federal and state regulations apply uniformly across all sources of individual and small group coverage—and also clarify the distinction between insured groups and self-insured groups with stop loss coverage—could greatly affect the level and stability of enrollment in the individual exchange and SHOP exchange. Federal regulators have indicated their view that for the purpose of ACA implementation, individual and small group coverage obtained through AHPs or MEWAs should be subject to the same regulation as coverage obtained in the market. However, they have not yet indicated whether federal rules governing conversion of small groups to self-insured status might be forthcoming.

It seems likely that carriers with open products, and that are actively marketing individual or small group coverage in Alabama, would participate in either or both the individual exchange and the SHOP exchange. These include as many as six carriers in the individual market and four carriers in the small group market.

However, several considerations suggest that new carriers might not enter Alabama's individual or small group markets soon. These include the difficulty of gaining the name recognition and reputation necessary to enter either market strongly when BCBSAL is so dominant, the uncertainty of a market where BCBSAL is carrying so much individual business in closed products, and the presence of carriers in Alabama—including BCBSAL—that already write self insured products, coverage for MEWAs or AHPs, or both. Nevertheless, one important opportunity for new entry might be through the national health insurance plans that the ACA requires the federal Office of Personnel Management to make available in every state exchange.

Notwithstanding the potential for new regional plans to enter Alabama's insurance markets, the absence of new carriers is not necessarily a problem for either the exchange or the SHOP exchange. A larger and more transparent market in Alabama seems likely to offer existing carriers substantial opportunities to grow over time, especially if carriers that now compete in either the individual or small group market can be encouraged to cross into the other as well. If successful, this cross-over would offer individuals important new plan options—including HMO options that do not currently exist in the individual market—and deliver more competition to the small group market as well.

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Chapter 1

Introduction

The Patient Protection and Affordable Care Act (ACA) calls for every state to establish a health insurance exchange by 2014, providing a new marketplace for individuals and small groups seeking to buy coverage. All plans that participate in the exchange must be licensed, and they must meet the requirements of a “qualified health plan”—including coverage of all essential benefits (to be defined in federal regulation), charging the same premium for products offered in and outside the exchange, and compliance with any other conditions that the exchange might require.¹ States may form a separate exchange to offer qualified health plans to small groups (called a Small Employer Health Options Program, or “SHOP exchange”), or operate their individual and SHOP exchanges as an integrated entity. Under the ACA, states may continue to define small employer groups as those with 2–50 workers until 2016, but as of the plan year starting in 2016, the definition of a small group must be extended to include those with as many as 100 workers.

Exchanges are expected to promote more informed choice among health plans and greater competition on price and quality.² For consumers, exchanges are expected to make the individual health insurance market easier to access and navigate. For small groups, SHOP exchanges might also be a platform for employers to offer their workers choice among health plans.³ For insurers, these exchanges can offer important opportunities to enter new markets and develop new products.

This report describes Alabama’s current insurance market. The goal of the report is to help Alabama policy makers anticipate carrier participation in the individual and SHOP exchange and the changes that current carriers may need to make in

¹ For example, the exchange may (or not) require that participating plans cover additional benefits, serve particular geographic areas or populations, or include specific providers (such as Medicaid providers) in their networks. However, Section 1311(d)(3)(B) of the ACA requires that states bear the additional cost for any benefit requirements that exceed the essential health benefits to be specified in federal regulation.

² The ACA requires exchanges to maintain an internet site offering standardized comparative information about all participating plans—including the benefits they offer, an electronic calculator to help applicants understand their actual cost of coverage in each plan, and information on a standardized rating to help consumers understand plan performance on clinical quality measures and other criteria.

³ Among all private-sector workers in Alabama who were offered employer-based health insurance in 2010, just 29 percent were offered two or more health insurance options. Among such workers in small firms, an estimated 5 percent were offered choice among two or more plans. This compares with 41 percent of all private-sector workers nationally, and 18 percent of small-firm workers (see: http://www.meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_2/2010/tiia2d.pdf, accessed July 14, 2011).

order to comply with the ACA's provisions regarding, in particular, the minimum medical loss ratio for individual and small group products⁴ and coverage of essential services.

The report includes six chapters. In Chapters 2 and 3, we identify the carriers that write coverage in, respectively, the individual or small group markets in 2010, and trends in each market between 2006 and 2010. In Chapter 4, we describe the major carriers' current benefit packages offered to individuals and small groups. Chapter 5 describes other characteristics of Alabama's market with implications for the entry of new carriers or the emergence or growth of coverage in arrangements that might fall outside either the exchange or the insured individual and small group markets more broadly. Chapter 6 includes a summary and discussion of findings.

The report also includes three appendixes. Appendix A documents data sources and methods. Appendix B includes tables with greater detail than appear in the body of the report. Appendix C includes a list of abbreviations.

⁴ A medical loss ratio is defined as the percentage of premiums paid out for medical services. The interim final rule implementing the medical loss ratio requirements of the ACA (including criteria for defining expenses as medical losses) is available at: <http://edocket.access.gpo.gov/2010/pdf/2010-29596.pdf>, accessed August 15, 2011.

Chapter 2

Alabama's Health Insurance Market for Individuals

In this chapter, the size of Alabama's individual market in 2010, premiums relative to losses in this market, and product choice are described. We also describe recent trends in enrollment, premiums, and medical losses for Blue Cross Blue Shield of Alabama (BCBSAL), by far the largest health insurance carrier in Alabama. Finally, we report enrollment in insured association health plans (AHPs) in Alabama.

ENROLLMENT AND PREMIUMS

In 2010, at least 28 carriers wrote comprehensive health insurance coverage for individuals in Alabama.^{1,2} BCBSAL accounted for 86 percent of member years, and 86 percent of premiums for individual coverage. Three other companies also wrote appreciable (although obviously much smaller) amounts of individual coverage: Golden Rule accounted for 4 percent of member years; United Healthcare Insurance Company, 2.6 percent; and Humana Insurance Company, 2 percent (Table 2-1; see also Appendix Table B-1).

Collectively, the carriers in Alabama's individual market wrote \$329 million in premiums in 2010. Average premiums (unadjusted for enrollee characteristics or benefit design) varied significantly among carriers in the market. Calculated PMPM, average premiums for coverage written by the largest carriers ranged from \$100 for products written by United Healthcare Insurance Company, to \$121 for products written by Humana, to \$156 or \$157 for products written by BCBSAL or Golden Rule, respectively.

Of course, because carriers in Alabama can vary individual premiums to reflect individuals' age, gender, health status, and other factors (as well as the features of the benefit package purchased), average premiums are not representative of the premiums that any particular individual might pay. In addition, the sale of student plans in the individual market may make average premiums lower than actual

¹ While 57 companies reported comprehensive individual health insurance business in Alabama in 2010 to NAIC, 29 companies (in total, representing less than 1.5 percent of member years, earned premiums, and incurred claims) may have erroneously reported that they wrote comprehensive individual health insurance when they wrote only limited benefits (such as dental, vision, long-term care, or condition-specific policies).

² Five additional companies reported zero member months insured, but small amounts of premiums and/or claims, probably reflecting accounting practices for closed products with no current policyholders. These carriers included National Benefit Life Insurance Company, Guardian Life Insurance Company of America, William Penn Life Insurance Company of New York, Cincinnati Life Insurance Company and Ohio State Life Insurance Company.

premiums available to non-students. For example, United Healthcare offers individual products in Alabama only for students.³

Table 2-1. Individual Health Insurance Member Years and Premiums in Alabama by Carrier, 2010

Carrier	Member years		Earned premiums		Earned premiums PMPM (\$)
	Number	Percent of total	Premiums (millions \$)	Percent of total	
BCBSAL	151,568	85.7	284.243	86.3	156
Golden Rule Ins. Co.	7,097	4.0	13.345	4.1	157
United Healthcare Ins. Co.	4,615	2.6	5.512	1.7	100
Humana Ins. Co.	3,526	2.0	5.124	1.6	121
All other carriers	10,011	5.7	21.054	6.4	175
Total	176,817	100.0	329.278	100.0	155

Source: Mathematica Policy Research analysis of carrier data filed April 1, 2011, provided by National Association of Insurance Commissioners (NAIC).

Note: PMPM = per member per month.

PREMIUMS RELATIVE TO MEDICAL LOSSES

Effective January 1, 2011, the ACA requires individual health plans, including plans that are grandfathered,⁴ to rebate premiums to consumers if the plan’s medical loss ratio (calculated across all individual products) is less than 80 percent. The amount of the premium returned to consumers will equal the difference between the carrier’s actual medical loss ratio and the 80-percent required minimum.

In 2010 (one year before the effective date of the ACA’s minimum loss ratio requirement), BCBSAL reported a medical loss ratio of 95 percent, Golden Rule reported a loss ratio of 50 percent, United Healthcare Insurance Company reported 71 percent, and Humana reported 62 percent (Figure 2-1).⁵ If the ACA’s

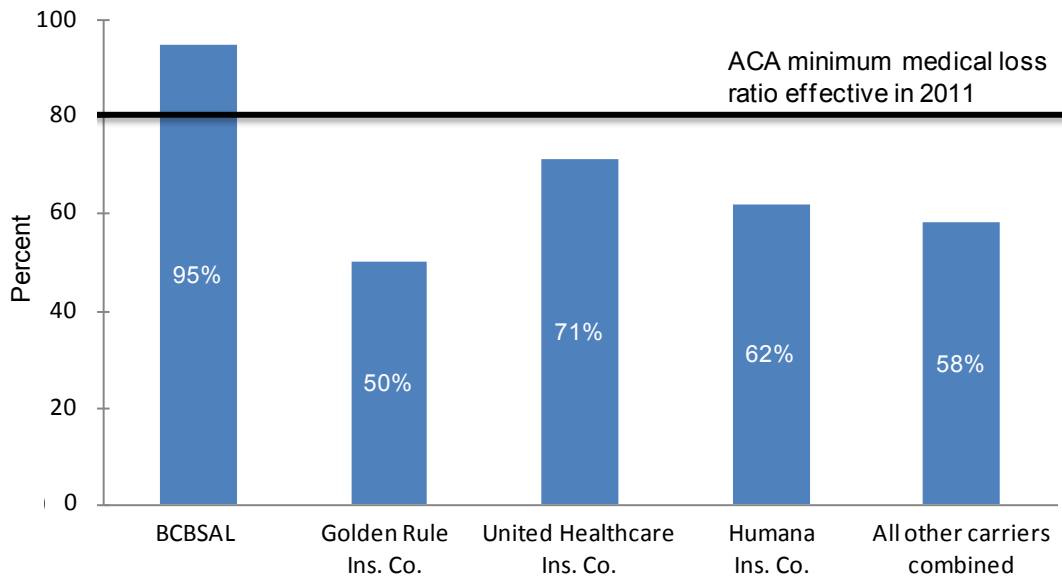
³ Personal communication from Robert Turner, Rates and Forms Analyst, Alabama Department of Insurance (DOI) (August 10, 2011). United Healthcare reported member months, premiums, and claims for student plans as individual plans in its April 1, 2011 filing. Although not individually underwritten, these student plans are subject to ACA requirements for individual (non-employer) products. United Healthcare reported neither individual products nor enrollment in individual products in other data sources for this report.

⁴ As of September 23, 2010, the ACA required that certain changes be made to health plans as of the start date of the next plan year. Plans that existed on March 23, 2010 and do not change any aspect of coverage significantly may qualify as a “grandfathered” plan, exempt from some (but not all) ACA requirements. However, any significant change in benefits or cost sharing for plan participants will cause the plan to lose grandfather status and become subject to all ACA coverage rules (see: http://www.healthreform.gov/newsroom/keeping_the_health_plan_you_have.html, accessed May 8, 2011).

⁵ Medical loss ratios for smaller carriers (collectively accounting for approximately 120,000 member months in 2010) are reported in Appendix Table B-1.

minimum medical loss ratio had been in effect in 2010, approximately 23,000 individually insured Alabamians (assuming full-year enrollment) would have received an average premium rebate of 35 percent, or \$595 per person.

Figure 2-1. Medical Loss Ratios among Carriers in Alabama's Individual Market, 2010



Source: Mathematica Policy Research analysis of carrier data filed April 1, 2011 provided by NAIC.

PRODUCT CHOICE

Alabama's individual market includes a large number of products, but relatively few are open to new subscribers. In 2010, BCBSAL wrote a total of 15 products in the individual market, Golden Rule wrote 17, Humana wrote 18, and Time Insurance Company wrote 10 (Table 2-2). Other companies (reported in Appendix Table B-2) wrote as many as 43 individual products (American Republic) or as few as one (multiple carriers).

Table 2-2. Number of Individual Health Insurance Products in Alabama and Total Enrollment by Carrier, 2010

Carrier	Individual insurance products ^a		Individual enrollees	
	Number	Percent of total	Number	Percent of total
BCBSAL	15	8.0	151,299	92.0
Golden Rule	17	9.1	7,084	4.3
Humana Insurance Co.	18	9.6	3,449	2.1
Time Insurance Co.	10	5.3	1,505	0.9
All other carriers	127	68.0	1,067	0.7
Total	187	100.0	164,404	100.0

Source: Mathematica Policy Research analysis of Health Insurance Oversight System (HIOS) data provided by the Alabama DOI.

^a A product is defined as a package of health insurance coverage benefits with a discrete set of rating and pricing methodologies. A product may include alternative premium and cost sharing structures.

However, most of the products that currently cover individuals in Alabama are closed to new subscribers. In 2010, 76 percent of products written in the individual market were closed (Table 2-3). All carriers had at least one closed product, and 21 of the 28 carriers that wrote individual coverage (75 percent; reported in Appendix Table B-3) had only closed products. In total, 49 percent of Alabamians with individual coverage were in closed products.

Table 2-3. Number of Open or Closed Individual Health Insurance Products and Enrollment by Carrier, 2010

Carrier	Products ^a		Enrollment	
	Number	Percent of total	Number	Percent of total
<i>Open products</i>	45	24.1	84,742	51.5
BCBSAL	5	2.7	74,161	45.1
Golden Rule	5	2.7	6,430	3.9
Humana Ins Co	11	5.9	3,172	1.9
Time Ins Co	2	1.1	829	0.5
Celtic	3	1.6	73	0.0
John Alden	2	1.1	56	0.0
American Republic	17	9.1	21	0.0
<i>Closed products</i>	142	75.9	79,662	48.5
BCBSAL	10	5.3	77,138	46.9
Golden Rule	12	6.4	654	0.4
Humana Ins. Co.	7	3.7	277	0.2
Time Ins. Co.	8	4.3	676	0.4
Celtic	3	1.6	29	0.0
John Alden	4	2.1	48	0.0
American Republic	26	13.9	5	0.0
All other carriers	72	38.6	835	0.5
Total	187	100.0	164,404	100.0

Source: Mathematica Policy Research analysis of HIOS data provided by the Alabama DOI.

^a A product is defined as a package of health insurance coverage benefits with a discrete set of rating and pricing methodologies. A product may include alternative premium and cost sharing structures.

Viewed from the perspective of an individual seeking new coverage, Alabama's individual market is much simpler than a picture of the total market would suggest. In 2010, seven carriers had open products (BCBSAL, American Republic, Celtic, Golden Rule, Humana, John Alden, and Time Insurance Company), but several (including John Alden and Time Insurance Company) were not actively marketing in Alabama.⁶ Among the largest carriers in the individual market, BCBSAL offered five open products, Golden Rule offered five, and Humana offered eleven. Most individual products were preferred provider organization (PPO) or indemnity plans, and most covered the entire state (Table 2-4; see also Appendix Table B-4).

Eight carriers—including BCBSAL, Golden Rule and Humana—reported writing grandfathered products in 2010, generally consistent with their blocks of closed products. BCBSAL reported 61 percent of its individual enrollees in the last quarter of 2010 were in grandfathered products, while Humana and Golden Rule (with 90 to 92 percent of enrollment in open products over the same timeframe) reported 7 to 9 percent of enrollment in grandfathered plans (Table 2-5; see also Appendix Table B-5).

⁶ Personal communication from Robert Turner, Rates and Forms Analyst, Alabama DOI, June 27, 2011.

Table 2-4. Number of Individual Health Insurance Products in Alabama and Enrollment by Carrier and Product Type, 2010^a

Carrier	PPO products		Indemnity products		POS products		Other products		HSA-qualified products	
	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)
BCBSAL	15 (100%)	151,299 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	5 (33.3%)	3,300 (2.2%)
Golden Rule	10 (58.8%)	7,066 (99.7%)	7 (41.2%)	18 (0.3%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Humana Insurance Co.	10 (55.6%)	3,313 (96.1%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	8 (44.4%)	136 (3.9%)	0 (0%)	0 (0%)
All other carriers	84 (61.3%)	2,061 (80.1%)	47 (34.3%)	474 (18.4%)	5 (3.6%)	36 (1.4%)	1 (0.7%)	1 (0.0%)	0 (0%)	0 (0%)

Source: Mathematica Policy Research analysis of HIOS data provided by the Alabama DOI.

Note: POS = point-of-service; HSA = health savings account.

^a A product is defined as a package of health insurance coverage benefits with a discrete set of rating and pricing methodologies. A product may include alternative premium and cost sharing structures.

Table 2-5. Number of Association, Open, Statewide, or Grandfathered Individual Health Insurance Products in Alabama and Enrollment by Carrier, 2010^a

Carrier	Association products		Open products		Statewide products		Grandfathered products	
	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)
BCBSAL	1 (6.7%)	26,876 (17.8%)	5 (33.3%)	74,161 (49.0%)	15 (100%)	151,299 (100%)	10 (66.7%)	92,575 (61.2%)
Golden Rule	0 (0%)	0 (0%)	5 (29.4%)	6,430 (90.8%)	17 (100%)	7,084 (100%)	11 (64.7%)	647 (9.1%)
Humana Insurance Co.	8 (44.4%)	136 (3.9%)	11 (61.1%)	3,172 (92.0%)	18 (100%)	3,449 (100%)	5 (27.8%)	233 (6.8%)
All other carriers	21 (15.3%)	185 (7.2%)	24 (17.5%)	979 (38.1%)	137 (100%)	2,572 (100%)	16 (11.7%)	138 (5.4%)

Source: Mathematica Policy Research analysis of HIOS data provided by the Alabama DOI.

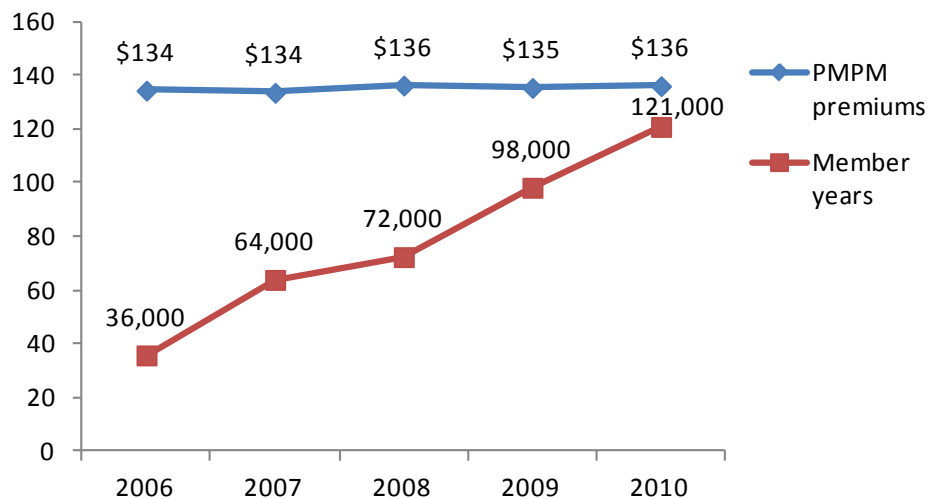
^a A product is defined as a package of health insurance coverage benefits with a discrete set of rating and pricing methodologies. A product may include alternative premium and cost sharing structures.

RECENT TRENDS IN THE INDIVIDUAL MARKET: 2006–2010

Prior to the reporting requirements introduced under the ACA, only carriers that report to the state as health companies (versus those that report as accident and life companies or property-casualty companies) provided information useful for discerning trends in the individual health insurance market. From 2006 to 2010, just four carriers reported as health companies and only BCBSAL reported in each year. Nevertheless, as the largest carrier, covering 9 of every 10 Alabamians in the individual market, the trends reported by BCBSAL are instructive.

From 2006–2010, individual enrollment in BCBSAL products more than tripled, from approximately 36,000 member years in 2006 to at least 121,000 in 2010 (Figure 2-2; see also Appendix Table B-6). Average earned premiums per member per month increased just 1 percent (\$2) over 4 years, reflecting any or all of several potential changes during this period: lower service use among new enrollees, increased cost sharing in BCBSAL products, low or no growth in provider payments, and/or narrowing benefit designs.

Figure 2-2. Total Member Years and Average Premiums PMPM: BCBSAL Individual Products, 2006–2010



Source: Mathematica Policy Research analysis of annual statement data provided by NAIC.

AHPs

AHPs have come under increasing scrutiny in recent years, as states have sought to understand their potential for providing affordable coverage to either individuals or small groups.⁷ Looking to the future implementation of the ACA, AHPs are of some concern: carriers that write AHP business could move blocks of low-cost individuals into AHPs, reducing the risk pool available to the exchange (as well as the number of unsubsidized individuals who might enroll through the exchange) and causing the average cost of coverage to rise in both the exchange and the outside individual market.

Prior to the expanded reporting required under the ACA, there has been little information available to understand how many people are enrolled in AHPs. Even with the recent reporting, it is unclear how many are enrolled as individuals or through employer groups. However, it is clear that there is the potential for expanded AHP enrollment of individuals in Alabama.

In Alabama, eight carriers reported writing coverage for individual associations in 2010. These included BCBSAL and Humana, as well as a number of companies with a much smaller presence in Alabama (American Republic, Guarantee Trust Life, Independence American, Madison National, Standard Security Life, and World Insurance Company) (Table 2-5). Chapter 5 provides additional context and discussion related to AHPs in Alabama, including data for other carriers that write AHP business in one or more states nationwide, potentially including Alabama.

⁷ In general, an association health plan is any entity through which health insurance is offered to a collection of employers and/or individuals, including but not limited to trusts, multiple employer welfare arrangements (MEWAs), purchasing alliances, or purchasing cooperatives. The Health Insurance Portability and Accountability Act considers coverage that is provided to associations, but is not related to employment, as individual coverage for the purpose of the Act's consumer protection provisions (45 CFR parts 144 through 148), whether or not it is considered group coverage under state law (see: http://edocket.access.gpo.gov/cfr_2010/octqtr/pdf/45cfr144.103.pdf, accessed September 26, 2011). Similarly, new federal rules governing health plan rate increases and disclosure amend the definitions of individual market and small group market (for rate review purposes) to include coverage sold to individuals and small groups through associations even if the state does not include such coverage in its definitions of individual and small group market (see: <http://www.gpo.gov/fdsys/pkg/FR-2011-09-06/pdf/2011-22663.pdf>, accessed September 26, 2011).

Chapter 3

Alabama's Health Insurance Market for Small Groups

In this chapter, the size of the small group market in 2010, premiums relative to losses in the small group market, and product choice are described. In addition, we describe trends in enrollment, premiums, and medical losses from 2006 to 2010 for BCBSAL and other group carriers that reported as health companies.

ENROLLMENT AND PREMIUMS

As in the health insurance market for individuals, BCBSAL is the dominant carrier in the market for small group coverage, accounting for 96 percent of member years and earned premiums in 2010. Based on total member years reported in 2010, other carriers in the small group market include United Healthcare Insurance Company (3 percent of small group enrollment) and Viva Health Inc. (about 1 percent) (Table 3-1; see also Appendix Table B-7).¹

Table 3-1. Insured Small Group Member Years and Premiums in Alabama by Carrier, 2010

Carrier	Member years		Earned premiums		Earned premiums PMPM (\$)
	Number	Percent of total	Premiums (millions \$)	Percent of total	
BCBSAL	319,246	95.7	1,169.9	96.3	305
United Healthcare Ins. Co.	9,992	3.0	32.7	2.7	272
Viva Health	1,965	0.6	6.9	0.6	293
All other carriers	2,383	0.7	5.2	0.4	181
Total	333,586	100.0	1,214.7	100.0	303

Source: Mathematica Policy Research analysis of carrier data filed April 1, 2011 provided by NAIC.

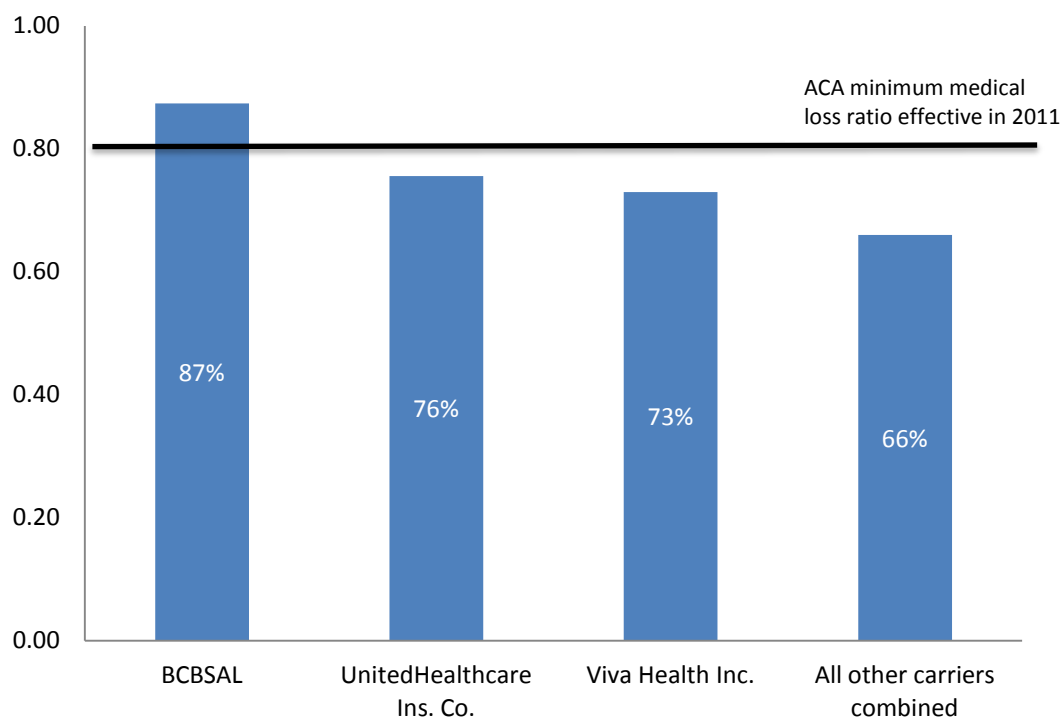
In 2010, premiums paid for small group insurance in Alabama totaled \$1.2 billion. Between the two largest carriers, average small group premiums ranged from \$272 PMPM for small group policies written by United Healthcare Insurance Company, to \$305 PMPM for small group policies written by BCBSAL.

¹ As reported earlier, United Healthcare Insurance Company also wrote student coverage in the individual market.

PREMIUMS RELATIVE TO MEDICAL LOSSES

As described in Chapter 2, the ACA requires carriers that write individual or small group coverage to meet a minimum medical loss ratio of 80 percent effective January 1, 2011, calculated across their business in each line. In 2010, BCBSAL reported a small group medical loss ratio of 87 percent, but United Healthcare Insurance Company and Viva Health Inc. reported a medical loss ratio of 76 percent and 73 percent, respectively (Figure 3-1; see also Appendix Table B-7). If the ACA's minimum medical loss ratio had been effective in 2010, approximately 13,400 insured small group workers (assuming 12-month enrollment) would have received an average premium rebate of 8 percent, or \$252 per person.

Figure 3-1. Medical Loss Ratios among Carriers in Alabama's Small Group Market, 2010



Source: Mathematica Policy Research analysis carrier data filed April 1, provided by NAIC.

PRODUCT CHOICE

Similar to the products available to individuals in Alabama, most products available to small groups are PPO or indemnity plans, and most small group enrollment is in PPO products (Table 3-2; see also Appendix Table B-8). However, some health management organization (HMO) products—largely written by Viva Health Inc.—also are available.²

² United Healthcare of Alabama also wrote a small amount of HMO coverage in 2010, but has been reducing its enrollment in Alabama for the past 5 years.

In contrast to the high enrollment in closed products in the individual market, most small group enrollment is in open, non-grandfathered plans (Table 3-3; see also Appendix Table B-9). In the fourth quarter of 2010, 46 percent of products in the small group market were open, accounting for more than 99 percent of total small group enrollment. BCBSAL offered 11 open small group products, and United Healthcare Insurance Company offered two open products. Other carriers with smaller enrollment in Alabama (Humana, John Alden, Trustmark Life, United Healthcare of Alabama, and Viva Health Inc.) collectively offered twelve open products—although one of these carriers (John Alden) was not actively marketing (Table 3-4; see also Appendix Table B-10).³

Despite regulation that generally favors national association products for small groups, AHPs appear to be rare in Alabama.⁴ One carrier (Standard Security Life, which offered only AHP products in Alabama, both closed in 2010) reported very small enrollment in an association product for small groups. Two other carriers (Madison National, which also offers only an AHP product in Alabama, and Viva Health) also reported offering AHP products for small employers, but with no enrollment (Table 3-4; see also Appendix Table B-10).

³ Personal communication from Robert Turner, Rates and Forms Analyst, Alabama Department of Insurance (June 27, 2011).

⁴ Alabama regulations permit carriers to rate coverage using standards determined by the state where the master contract was issued—in general, where the association is headquartered or, if the policy is held in trust, the location of the trust. Alabama requires carriers that write national association products to file rates and forms for informational purposes only.

Table 3-2. Number of Small Group Health Insurance Products in Alabama and Enrollment by Carrier, 2010^a

Carrier	PPO products		Indemnity products		HMO products		POS products		HSA-qualified products	
	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)
BCBSAL	12 (100%)	304,147 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (8.3%)	265 (0.1%)
United Healthcare	1 (50%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (50%)	5,088 (100%)	0 (0%)	0 (0%)
Viva Health	0 (0%)	0 (0%)	0 (0%)	0 (0%)	15 (100%)	2,955 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
All other carriers	18 (72.0%)	3,625 (94.5%)	5 (20.0%)	9 (0.2%)	1 (4.0%)	174 (4.5%)	1 (4.0%)	29 (0.8%)	0 (0%)	0 (0%)

Source: Mathematica Policy Research analysis of HIOS data provided by the Alabama DOI.

^a A product is defined as a package of health insurance coverage benefits with a discrete set of rating and pricing methodologies. A product may include alternative premium and cost sharing structures.

3-4

Table 3-3. Number of Association, Open, Statewide, or Grandfathered Small Group Products in Alabama and Enrollment by Carrier, 2010^a

Carrier	Association products		Open products		Statewide products		Grandfathered products	
	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)
BCBSAL	0 (0%)	0 (0%)	11 (91.7%)	304,146 (100%)	12 (100%)	304,147 (100%)	0 (0%)	0 (0%)
United Healthcare	0 (0%)	0 (0%)	2 (100%)	5,088 (100%)	2 (100%)	5,088 (100%)	0 (0%)	0 (0%)
Viva Health	0 (0%)	0 (0%)	4 (26.7%)	2,584 (87.4%)	0 (0%)	0 (0%)	4 (26.7%)	371 (13%)
All other carriers	5 (20.0%)	4 (0.1%)	8 (32.0%)	3,723 (97.0%)	22 (88.0%)	3,632 (94.7%)	0 (0%)	0 (0.0%)

Source: Mathematica Policy Research analysis of HIOS data provided by the Alabama DOI.

^a A product is defined as a package of health insurance coverage benefits with a discrete set of rating and pricing methodologies. A product may include alternative premium and cost sharing structures.

Table 3-4. Open or Closed Small Group Health Insurance Products and Enrollment by Carrier, 2010

Carrier	Products ^a		Enrollment	
	Number	Percent of total	Number	Percent of total
<i>Open products</i>	25	46.3	315,479	99.8
BCBSAL	11	20.4	304,146	96.2
Humana Insurance Co.	2	3.7	2	0.0
John Alden	1	1.9	246	0.1
Trustmark Life	3	5.6	3,210	1.0
United Healthcare	2	3.7	5,088	1.6
United Healthcare of Alabama	2	3.7	203	0.1
Viva Health	4	7.4	2,584	0.8
<i>Closed products</i>	29	53.7	548	0.2
BCBSAL	1	1.9	1	0.0
Trustmark Life	6	11.1	0	0.0
Viva Health	11	20.4	371	0.1
All other carriers	11	20.4	176	0.1
Total	54	100.0	316,027	100.0

Source: Mathematica Policy Research analysis of HIOS data provided by the Alabama DOI.

^aA product is defined as a package of health insurance coverage benefits with a discrete set of rating and pricing methodologies. A product may include alternative premium and cost sharing structures.

RECENT TRENDS IN THE GROUP MARKET: 2006–2010

As was the case with respect to the individual market, there are sufficient data to understand group market trends for only the carriers that have historically reported as health companies. Moreover, these data combine information for both large and small groups, although most of the carriers' group business probably has related to small and mid-sized employer groups.

Of the carriers that reported group business from 2006 to 2010, BCBSAL, Healthspring of Alabama, and United Healthcare of Alabama reported in all 5 years. Viva Health Inc. reported group business from 2007 to 2010. During this period, Healthspring and United Healthcare of Alabama apparently were leaving the market, as enrollment fell from about 7,600 and 3,100 member years, respectively, to less than 320 and 110, respectively.

From 2006 to 2010, total member years in large and small insured groups (across all reporting health companies) declined from approximately 837,000 member years in 2006 to 708,800 member years in 2010. Enrollment in BCBSAL group products fell 18 percent (from 826,000 member years to 680,000 member years).

Viva Health Inc., which entered the market in 2007, accounted for about 28,000 member years by 2010 (Table 3-5; see also Appendix Table B-11).

Table 3-5. Total Group Health Insurance Member Years and PMPM: Alabama Carriers That File as Health Companies, 2006–2010

Carrier	2006	2007	2008	2009	2010	Percent change: 2006–2010
<i>Member years</i>						
BCBSAL	825,990	801,413	785,724	741,279	680,236	(17.6)
Viva Health	0	29,177	28,348	27,397	28,106	(3.7) ^a
Healthspring of AL	7,598	753	959	746	319	(95.8)
United Healthcare of AL	3,078	2,317	498	80	109	(96.5)
<i>Premiums earned PMPM</i>						
BCBSAL	\$238	\$250	\$268	\$282	\$304	27.6
Viva Health	—	\$235	\$250	\$250	\$263	12.2
Healthspring of AL	\$266	\$287	\$281	\$327	\$351	32.0
United Healthcare of AL	\$325	\$322	\$398	\$450	\$408	25.4

Source: Mathematica Policy Research analysis carriers' annual statement data provided by NAIC.

Note: Data included large and small groups. NA = not available.

^a Percent change calculated from 2007 to 2010.

As BCBSAL's group enrollment dropped, group premiums PMPM increased almost 28 percent, or about 7 percent per year on average (from \$238 in 2006, to \$304 in 2010); incurred claims increased 22 percent, or about 5 percent per year (from \$215 in 2006 to \$262 in 2010). With slower growth in claims than premiums, BCBSAL's medical loss ratio in the group market fell approximately 4 percentage points, from 90 percent in 2006 to 86 percent in 2010.⁵

Viva Health's average group premiums also increased, but more slowly—by 12 percent (from \$235 PMPM in 2007 to \$263 in 2010). Because incurred claims PMPM declined over those years (about 1 percent, from \$202 to \$200), Viva Health's medical loss ratio fell from 86 percent in 2007 to 76 percent in 2010 (Table 3-5; see also Appendix Table B-12).

⁵ In 2010, health companies reported combined small- and large-group medical loss ratios in their annual statements that were similar to the small-group medical loss ratios reported in their April 1, 2011 supplemental filing. Specifically, BCBSAL reported a loss ratio of 86 percent across large and small groups and 87 percent in the small group market. Viva Health reported a medical loss ratio of 76 percent across both large and small groups, and 73 percent for small groups.

Chapter 4

Benefit Design

The ACA outlines general requirements for the essential benefits that all qualified health plans must offer as of 2014. The list of essential benefits includes many that are common in current health insurance plans (ambulatory patient services, emergency services, hospitalization, and laboratory services). It also includes some benefits that individual plans, especially, might currently exclude: maternity and newborn care, mental health and substance use disorders services, prescription drugs, rehabilitative and habilitative services and devices, preventive and wellness services, chronic disease management, and pediatric services (including oral and vision care). The Secretary of Health and Human Services will define the specific services covered in each of these categories, generally including those services that are covered by large employer groups and ensuring an appropriate balance between service categories.¹

In addition, the ACA specifies a maximum level of cost sharing in qualified health plans. As of 2014, the annual deductible and other out-of-pocket expenses for covered services in qualified health plans for individuals may not exceed those specified in the Internal Revenue Code provisions for high-deductible plans that qualify for a health savings account. In 2011, the maximum out-of-pocket expense (excluding premiums) for these plans was \$5,950 for self-only coverage and \$11,900 for a family.² Deductibles in qualified small group plans as of 2014 may not exceed \$2,000 for an individual and \$4,000 for a family.³ In all years after 2014, maximum cost sharing will increase by the same percentage as the national average growth in premiums for self-only coverage. No plan may require cost sharing for any recommended preventive services in the essential benefits package.

Finally, the ACA categorizes qualified health plans that will be sold through an exchange in tiers, based on their actuarial value. Plans offered in the exchange will range from those that pay 60 percent of the cost of covered services (bronze-tier plans) to those that pay 90 percent (platinum-tier plans).

¹ The ACA further instructs the Secretary to take account of the service needs of diverse populations and to prevent plans from discriminating against patients—either through benefits offered or cost-sharing arrangements—based on age, expected length of life, or disability status. See: 42 U.S.C. 18022, Section 1302.

² Department of the Treasury, Internal Revenue Service. Health Savings Accounts and Other Tax-Favored Health Plans. Publication 969 (Cat. No. 24216S). Available at: <http://www.irs.gov/pub/irs-pdf/p969.pdf>, accessed August 18, 2011.

³ The deductible in small group plans may be increased above these limits to include pre-tax amounts available through a flexible spending account (FSA), if the employer offers an FSA option.

Catastrophic plans also will be available in the exchange for individuals under age 30 or those who otherwise cannot afford coverage. These plans must cover at least three preventive visits with no cost sharing. For other services (if not a recommended preventive service), the deductible may equal the plan's maximum cost sharing amount (\$5,950 for an individual or \$11,900 for a family).

CURRENT PRODUCTS IN THE INDIVIDUAL MARKET

In response to a request for information issued by the DOI, the three carriers that account for most individual coverage written in Alabama submitted benefit descriptions for their most popular products. We reviewed a total of 14 products, including four BCBSAL products, five Golden Rule products, and five Humana products.

BCBSAL's most popular products included two PPOs with deductibles of \$750 and \$1,500 for single coverage and \$2,250 and \$4,500 for family coverage, and two HSA-qualified products. Beyond the deductible, the two PPO products have cost-sharing requirements (either coinsurance or co-payments) for inpatient hospital and physician services, outpatient hospital services, selected physician services, prescription drugs, home health and hospice, and other covered services (including ambulance; durable medical equipment; and physical, occupational, and speech therapy). Out-of-pocket maximums apply only to other covered services and home health and hospice; for other categories of services, out-of-pocket cost is unlimited. The PPO plans cover maternity services, prescription drugs and mental health and substance abuse services; mental health and substance abuse care must be coordinated by an expanded psychiatric services provider, and there are limits on coverage for psychiatric inpatient services.

Deductibles for the two BCBSAL HSA-qualified products are either \$1,200 or \$3,050 for single coverage and either \$2,400 or \$6,150 for family coverage. These HSA-qualified plans have out-of-pocket maximums of \$5,000 for individuals and \$10,000 for families, including the deductibles. Maternity services and prescription drugs are covered, as well as mental health and substance abuse care with limits on the number of covered inpatient days and outpatient visits.

Golden Rule reported that its most popular individual products in Alabama are variations of its Copay Select and HSA100 products. Depending on the specific Copay Select product, consumers' out-of-pocket maximums range from \$1,500 to \$15,500 for single coverage and \$3,000 to \$31,000 for family coverage. The out-of-pocket maximums in Golden Rule's HSA100 products are \$1,250 to \$5,000 for single coverage, and \$2,500 to \$10,000 for family coverage. Golden Rule's products do not cover maternity care (other than complications and routine newborn care), nor do they cover behavioral health services, except as a rider (that is, individuals can purchase additional coverage for behavioral health services). The Copay Select plans require a \$15 copayment for tier-1 prescription drugs (generics). For drugs in tiers 2 through 4, the plans require a \$500 deductible and higher

co-payment; if enrollees purchase Golden Rule's prescription discount card, the prescription drug deductibles are reduced to \$200. In the "HSA100" products, prescription drugs are covered only after the deductible is reached.

Humana reported three versions of its "Copay" product (Copay/70 percent, Copay/80 percent, and Enhanced Copay) as well as two versions of a product that qualifies for an HSA under the Internal Revenue Service rules (health savings account-qualified [HSAQ]/100 percent and Enhanced HSAQ)—and reported cost-sharing only for these products as sold to individuals. The Enhanced HSAQ has the lowest individual out-of-pocket maximum for non-condition-specific medical services and prescription drugs (\$5,000), while the Enhanced Copay product has an out-of-pocket maximum of \$10,500 for an individual for non-condition-specific medical services and prescription drugs, and no limit on provider visits. The HSAQ/100 percent product has a \$5,950 out-of-pocket maximum for non-condition-specific medical services; it does not limit provider visits, but neither does it cover prescription drugs. The Copay/70 percent and Copay/80 percent products have out-of-pocket maximums of \$16,000 and \$14,200, respectively; both limit the number of covered physician visits per year, but cover prescription drugs. None of these plans apparently covers maternity care, except for complications. Coverage for mental health or substance abuse care requires a 12-month waiting period and payment of a separate deductible for behavioral health services. All of Humana's plans require a separate condition-specific deductible for pre-existing conditions.⁴

Among all of these products, only the two BCBSAL HSA-qualified products would appear to meet the ACA provisions regarding cost-sharing and coverage of essential services. All of the others would appear to be deficient in various ways. Some would need to expand coverage to all essential services (for example, none of Golden Rule's products cover maternity and newborn care or mental health and substance abuse services, and none of Humana's products cover maternity and newborn care). Moreover, the out-of-pocket maximums in these carriers' most popular plans typically exceed ACA standards: the BCBSAL PPO products and several Golden Rule and Humana products have out of pocket maximums higher than the ACA would allow, and all Humana products had separate deductibles for specific conditions that together might exceed the ACA maximum.

CURRENT PRODUCTS IN SMALL GROUP MARKET

Two of the largest carriers in Alabama's small group market, BCBSAL and United Healthcare Insurance Company, also provided information about their five most popular small group products. All five products that BCBSAL reported are PPO plans. Deductibles range from \$200 to \$500 for individual coverage and \$600 to \$1,500 for family coverage. However, BCBSAL products also have cost-sharing requirements (either coinsurance or co-pays) for inpatient hospital and

⁴ See: <http://www.humana-one.com/alabama-health-insurance/copay-overview.aspx>, accessed August 8, 2011.

physician services, prescription drugs, outpatient hospital services, selected physician services, mental health and substance abuse care, and other covered services (including ambulance; durable medical equipment; and physical, occupational, and speech therapy). Three of these products have out-of-pocket maximums that apply only to other covered services and home health and hospice (but out-of-pocket cost for other categories of services is apparently unlimited). BCBSAL's other two most popular products limit out-of-pocket cost for inpatient physician services for mental health and substance abuse, other in-network physician services, and prescription drugs, as well as other covered services and home health and hospice. All five BCBSAL plans cover maternity and prescription drugs, but limit the number of covered inpatient days and outpatient visits for mental health and substance abuse care.

Four of the five most popular products offered by United Healthcare Insurance Company have single deductibles ranging from \$250 to \$2,000; one product requires a single deductible of \$2,850. Three products have family deductibles that are apparently within bounds of ACA, ranging from \$750 to \$3,000; two other products have family deductibles at \$5,600 and \$6,000. Copayments for specific services, which do not count towards deductible or out-of-pocket maximum, are common. All United Healthcare Insurance Company products cover maternity care and mental health and substance abuse services (with limits on number of mental health and substance abuse services allowed in small group plans), but none cover prescription drugs if not administered in an outpatient setting. Small groups can purchase a rider for prescription drugs with no out-of-pocket maximum, no deductible, and cost-sharing levels that vary from \$10 for tier 1 to \$60 for tier 3 at network pharmacies for a 30-day supply to \$25 for tier 1 and \$150 for tier 3 at a mail-order pharmacy for a 90-day supply.⁵

Similar to the situation in the individual market, it would appear that none of the most popular small group products offered by either BCBSAL or United Healthcare Insurance Company would meet ACA limits on cost sharing in small group plans. The out of pocket maximums in each of the five BCBSAL products currently apply to only a limited set of services, not all services. In some United Healthcare Insurance Company products, the out of pocket maximums do not cover copayments and deductibles, and appear to exceed the ACA standard. In addition, United Healthcare's small group products do not currently integrate coverage of prescription drugs, but the ACA does not appear to envision coverage of essential benefits such as prescription drugs in policy riders, even if they are not optional.

⁵ To fill prescriptions at non-network pharmacies, enrollees would pay the same co-payments plus the difference between what United Healthcare Insurance Company would have paid at a network pharmacy and price paid to the non-network pharmacy.

Chapter 5

Carrier Surplus and the Potential to Reorganize Markets

This chapter addresses two somewhat unrelated issues that are likely to affect the shape and performance of Alabama’s individual and small group markets leading to, and following on, the development of an Alabama exchange. The first of these is the amount of surplus held by carriers in Alabama—that is, their levels of capital in excess of reserves held against unpaid or anticipated claims. The amount of surplus that companies are holding is one measure of a carrier’s capacity to develop new products and markets. However, by holding very large amounts of surplus, carriers already in the market might also deter new competitors from entering or attempting to increase market share as states implement the ACA.

The second issue is the potential for carriers that are currently writing individual or group coverage in Alabama to help form AHPs or MEWAs.¹ AHPs may include either employers or individuals, or they may include both. Historically, both AHPs and MEWAs have largely operated outside the regulations that govern individual and small group products. Moreover, even when regulated as individual or small group business, they can self-insure if not prohibited by state regulation, removing blocks of business from insured risk pools. The potential for insured AHPs and MEWAs to continue to qualify as large groups or to become self-insured if made subject to individual and small group regulation under the ACA are important considerations for every state in planning an exchange.

CARRIER SURPLUS

The capital that carriers hold in surplus is measured as “risk based capital” (RBC), a measure that standardizes the dollar value of each carrier’s capital to account for multiple kinds of risk that it anticipates. The calculation is then expressed as a ratio of the company’s actual adjusted RBC (called “total adjusted capital”) to the minimum RBC that would signal to regulators that the company is in imminent danger of insolvency.

There are several reasons that a carrier would want to build capital in anticipation of the ACA, and some reasons that it need not. First, carriers may see a need to

¹ For descriptions of MEWAs and associated regulations, see: United States Department of Labor, Employee Benefits Security Administration. Fact Sheet: MEWA Enforcement, available at <http://www.dol.gov/ebsa/newsroom/fsmewaenforcement.html>, accessed August 2, 2011. Also see: Multiple Employer Welfare Arrangements under the Employee Retirement Income Security Act (ERISA): A Guide to Federal and State Regulation, available at <http://www.dol.gov/ebsa/publications/mewas.html>, accessed August 2, 2011.

invest in developing new products in compliance with the essential benefits and cost sharing that the ACA will require, as well as the rules regarding the actuarial value of products that might be offered in an exchange. Second, carriers may be unwilling or unable to adjust their cost structures to ensure that they always will meet the ACA's minimum loss ratio requirements, and anticipate using surplus to finance rebating excess premiums to policyholders. Third, carriers may feel greater uncertainty related to the opening of an exchange—specifically, the new competition they may face, the burden of illness among individuals that would enroll, and the potential that they would either find risk adjustment insufficient or need to make risk adjustment payments to other carriers in the market.

Reasons that carriers might not want to build much higher surplus in anticipation of the ACA relate to at least two considerations. First, two new federal programs—a federal reinsurance program and a risk corridor program—will offset much of this risk of new, high-cost individuals entering the market in the early years.² While both programs will sunset in 2017, building surplus in anticipation of cost 4 or 5 years in the future makes current premiums higher than they might need to be. Second, it is not obvious that Alabamians who will newly enter the private insurance market, whether or not through the exchange, will represent a greater medical risk—or even as great a risk—as individuals currently in the market. After implementing health reforms very similar to the ACA, Massachusetts found that new entrants to its market were substantially lower-cost than individuals that had been in the market prior to the reforms.³

In 2010, all four carriers that reported as health companies held surpluses that substantially exceeded regulatory minimums—either the “authorized control-level” (ACL) (that is, the level of capital at which state regulators would take control of the company to protect policyholders) or the “company action level” (that is, the level at which regulators would require the carrier to report a plan for avoiding insolvency). BCBSAL reported total adjusted capital that was more than 7 times ACL risk-based capital, and three times the company action level (Table 5-1 and Appendix Table B-13).⁴ As is common for HMOs, Viva Health,

² The state's risk adjustment program—which also will start up in 2014, but operate permanently—will help carriers to manage the risk of drawing disproportionately high-cost enrollees compared with other carriers in the market (called adverse selection), but it will not be helpful in offsetting the cost of higher risk individuals entering the market overall.

³ See: D. Chollet, S. Liu, A. Barrett, K. Stewart, and T. Bell. Massachusetts Health Care Cost Trends Part III: Health Spending Trends for Privately Insured 2006–2008, Technical Report submitted to the Massachusetts Division of Healthcare Financing and Policy. Washington, DC: Mathematica Policy Research, Inc. February 2010. Available at: http://www.mass.gov/Eeohhs2/docs/dhcfp/r/cost_trends_files/part3_health_spending_trends_technical_report.pdf, accessed August 16, 2011. Also see: A. Chandra, J. Gruber, and R. McKnight. The Importance of the Individual Mandate—Evidence from Massachusetts. *The New England Journal of Medicine* 364 (4) (2011): 293–295.

⁴ Alabama, like other states that adopted the NAIC model law regarding surplus, sets the company-action level of surplus at 200 percent of ACL. However, the Blue Cross and Blue Shield Association requires member plans to maintain at least 375 percent of ACL. Falling below this level triggers additional reporting to the Association as a condition of retaining the Blues trademark.

Healthspring, and United Healthcare of Alabama held lower levels of surplus than BCBSAL—which writes PPO and/or indemnity coverage that entail higher risk with respect to health service provider prices than an HMO. Only one carrier (Viva Health) was near the level of surplus that would draw regulatory concern.

Table 5-1. Percentage of Total Adjusted Capital to ACL RBC, 2006–2010

Carrier	2006 (\$)	2007 (\$)	2008 (\$)	2009 (\$)	2010 (\$)	Percent change: 2006–2010
BCBSAL	747	773	581	497	708	-5.1
Viva Health	210	206	236	297	254	20.8
Healthspring of AL	365	319	431	349	515	40.9
United Healthcare of AL	483	759	451	457	368	-23.9

Source: Mathematica Policy Research analysis carrier annual statement data provided by NAIC.

Note: Estimates are calculated at the company level, not only for business in Alabama.

Two carriers built surplus from 2006 to 2010. BCBSAL’s surplus ratio, which by 2009 had fallen to 500 percent increased to 710 percent in 2010, potentially due in part to lower claims materializing in 2010 than it had anticipated when setting premiums. Other companies, with much thinner surplus margins may need to add modestly to premiums over the next few years in order to develop new products that meet ACA standards for a qualified health plan and to compete with BCBSAL.

MEWAS AND ASSOCIATION HEALTH PLANS

At present, Alabama law and regulation are friendly to the development of MEWAs and AHPs. Alabama specifically exempts MEWAs and AHPs from the rules that govern premiums charged to small group plans.^{5,6} While Alabama requires both in-state and out-of-state AHPs to submit rate certifications and forms, it does not review rates for either and approves forms only for in-state AHPs. Small group rates in Alabama are also file-and-use, although Alabama reviews carriers’ annual certification of small group rate compliance; small group forms (like those for in-state AHPs) are subject to prior approval.

Federal rules issued September 6, 2011 govern rate review and reporting under the ACA. These rules will alter the environment for AHPs in Alabama and in other states that regulate AHPs differently than products sold directly to individuals or small groups. Specifically, these rules provide that “individual and small employer policies sold through associations will be included in the rate review process, even if a state otherwise excludes such coverage from its definitions of

⁵ §482-1-116-.04 (4) at <http://alabamaadministrativecode.state.al.us/docs/ins/lins116.htm>, accessed September 26, 2011.

⁶ Small group rates may be differentiated only by geographic area, family composition, age, gender, and within limits, both the health status and size of the group (see: §482-1-116-.05, *Ibid.*).

individual and small group market coverage.”⁷ Thus, AHPs that insure individuals or small groups are subject to federal reporting requirements, and carriers that seek to increase AHP rates (as well as other individual or small group rates in Alabama) more than 10 percent will be subject to federal rate review.⁸ These federal rules do not alter Alabama’s current regulation, which exempts MEWAs and AHPs, from rate review or approval.

In addition, while the September 6, 2011, final rule federal pertains only to specific rate review and reporting requirements, Centers for Medicare and Medicaid Services (CMS) has indicated its view that, for the broader purpose of implementing the ACA, “in most situations involving employment-based association coverage, the group health plan exists at the individual employer level and not the association-of-employers level. In these situations, the size of each individual employer participating in the association determines whether the employer’s coverage is subject for the small group or the large group rules.”⁹

In 2010, 30 carriers that wrote individual or group coverage in Alabama insured MEWAs or AHPs in Alabama and/or in other states (Table 5-2). Carriers that insured MEWAs and also wrote coverage in Alabama’s small group market included Federated Mutual, John Alden, Trustmark, and Humana. The much longer list of carriers that insured AHPs included BCBSAL, Golden Rule, United Healthcare Insurance Company, Humana, and Time Insurance—some the largest carriers in the individual market, the small group market, or both. In the last quarter of 2010, BCBSAL reported covering approximately 27,000 enrollees in one or more AHPs, about 18 percent of its individual business.¹⁰

Finally, the potential for small groups to become self-insured—individually or through AHPs or MEWAs—in response to greater regulation of small group coverage is a matter of some concern. Motivated by federal rules that subject the small group market greater scrutiny of rate increases and, in 2014, to full community rating varied only for age, carriers in Alabama could turn to self-insured products as a way to select favorable risk. Because Alabama has no regulation defining a minimum attachment point for stop loss coverage, small groups can

⁷ See: Federal Register Vol. 76, No. 172 available at: <http://www.gpo.gov/fdsys/pkg/FR-2011-09-06/pdf/2011-22663.pdf>, accessed September 20, 2011.

⁸ Under federal rules finalized on May 19, 2011, Alabama is not an effective rate review state, in that it lacks authority and/or resources to comply with all federal rules defining effective rate review (see: http://cciio.cms.gov/resources/factsheets/rate_review_fact_sheet.html, accessed September 26, 2011).

⁹ See: http://cciio.cms.gov/resources/files/association_coverage_9_1_2011.pdf.pdf, accessed September 20, 2011.

¹⁰ Some carriers reported business in MEWAs and AHPs inconsistently. For example, BCBSAL did not report writing policies for AHPs its April 1, 2011 filing, but reported AHP products in its HIOS data. See Technical Appendix, Section A.2: Data Issues and Discrepancies for additional discussion of data issues.

self insure with stop loss that would cover all but a trivial amount of the employer's claims liability.¹¹ Absent federal or state rules that would impede it, significant conversion of small groups to self-insured status could isolate unfavorable risk in the insured market, threatening the viability of the small group market as well as the SHOP exchange.

While information that identifies the number of small groups that self insure or how many employees they might account for is not readily available, self-insurance by small groups is not known to be common in Alabama. However, at least two carriers that write small group coverage in Alabama (Time and Trustmark) market self-insured products to small groups in some states.

¹¹ At present, very few states have strong regulation limiting small groups from becoming self-insured. Notable exceptions are Delaware, New York, and Oregon, which ban the sale of stop loss insurance to small groups. North Carolina also bans the sale of stop loss insurance for small groups that does not comply with the same rules that govern fully insured small group products (see: T.S. Jost, *The Affordable Care Act and Stop-Loss Insurance*. Statement to the NAIC ERISA (B) Subgroup, September 8, 2011, available at http://www.naic.org/documents/committees_b_erisa_110908_jost.pdf, accessed September 26, 2011).

Table 5-2. Alabama Carriers That Write Coverage for Multiple Employer Associations, Multiple Employer Trusts, or Association Health Plans in Any State, 2010

Carrier	Earned premiums (millions \$)	Incurred claims (millions \$)	Loss ratio	Number of policies or certificates as of Dec 31	Number of covered lives as of Dec 31 (thousands \$)	Member months (thousands \$)
MEWAs						
Federated Mutual Ins. Co.	285.3	285.3	0.814	4,781	77.6	910.4
John Alden Life Ins. Co.	281.7	281.7	0.707	44,454	74.0	896.2
Trustmark Life Ins. Co.	256.5	256.5	0.686	1	37.1	737.3
Humana Ins. Co.	231.3	231.3	0.820	29,375	63.8	748.2
Connecticut Gen Life Ins. Co.	81.9	81.9	1.044	5	27.8	396.5
Nippon Life Ins. Co. of America	32.9	32.9	0.664	3,680	8.3	0.0
Principal Life Ins. Co.	8.1	8.1	0.783	7,031	13.9	166.9
AHPs						
BCBSAL ^a	NA	NA	NA	NA	26.9	NA
Guarantee Trust Life ^a	NA	NA	NA	NA	0.0	NA
Golden Rule Ins. Co.	1,283.1	746.2	0.582	358,304	622.1	6,943.0
Time Ins. Co.	833.5	549.9	0.660	197,368	325.1	4,285.3
Mega Life & Health Ins. Co.	361.1	161.3	0.447	64,430	109.1	1,421.8
Humana Ins. Co.	334.7	259.5	0.775	46,102	87.3	999.2
New York Life Ins. Co.	176.1	168.7	0.959	27,327	43.2	327.9
Mid West National Life Ins. Co. of TN	162.2	82.3	0.507	34,105	56.4	725.5
American Medical Security Life Ins. Co.	121.5	71.6	0.589	18,508	35.6	491.8
World Ins. Co.	94.0	68.3	0.727	23,862	46.8	501.7
John Alden Life Ins. Co.	91.1	57.6	0.627	19,910	33.5	451.0
American Republic Ins Co	64.0	33.9	0.531	15,295	26.5	332.9
Freedom Life Ins. Co. of America	57.5	35.2	0.612	14,923	30.3	341.2
United States Life Ins. Co. in NYC	44.8	43.2	0.964	2,491	122.4	1,469.4
Celtic Ins. Co.	38.8	27.0	0.675	11,176	15.1	268.2
National Health Ins. Co.	17.7	17.3	0.976	1,486	2.5	39.9
Southern Farm Bureau Life Ins. Co.	16.5	11.5	0.700	2,644	2.6	31.1
American National Life Ins. Co. of TX	12.1	9.3	0.770	1,197	2.0	29.0
Standard Security Life Ins. Co. of NY	11.1	8.3	0.753	46	12.4	122.9
National Found Life Ins. Co.	9.7	7.3	0.752	2,024	4.5	55.1
Chesapeake Life Ins. Co.	5.8	2.5	0.429	1,217	2.2	38.0

Table 5-2. Alabama Carriers That Write Coverage for Multiple Employer Associations, Multiple Employer Trusts, or Association Health Plans in Any State, 2010

Carrier	Earned premiums (millions \$)	Incurred claims (millions \$)	Loss ratio	Number of policies or certificates as of Dec 31	Number of covered lives as of Dec 31 (thousands \$)	Member months (thousands \$)
Standard Life & Accident Ins. Co.	5.3	1.9	0.388	1,098	2.2	36.3
Trustmark Ins. Co.	5.2	0.3	0.051	449	0.6	7.4
Philadelphia American Life Ins. Co.	2.3	1.3	0.560	224	0.6	7.9
Trustmark Life Ins. Co.	2.0	0.8	0.415	202	0.3	4.8
Transamerica Life Ins. Co.	0.3	0.3	0.718	65	0.1	1.1
Independence America Ins. Co.	0.1	0.0	0.292	69	0.1	1.1
Cincinnati Life Ins. Co.	0.0	0.2	17.492	6	0.0	0.1
Nippon Life Ins. Co. of America	0.0	0.0	-11.751	0	0.0	0.0

Source: Mathematica Policy Research analysis of carriers' April 1, 2011 filing provided by NAIC.

Note: Carriers may not insure MEWAs, Multiple Employer Trusts, and/or AHPs in Alabama. AL = Alabama; NYC = New York City; TN = Tennessee; TX = Texas.

^a BCBSAL and Guarantee Trust Life did not report AHPs in NAIC data, but reported enrolled members in the last quarter of 2010 in HIOS data provided by the Alabama DOI.

Chapter 6

Summary and Discussion: Potential for Competition in Alabama's Exchange

In 2010, at least 33 carriers wrote individual or small group coverage in Alabama. While at least 28 carriers wrote comprehensive individual coverage, many products were closed to new enrollees and some carriers were not actively marketing their open products. Of the 14 carriers that wrote small group comprehensive coverage in 2010, 7 were operating open plans, but 2 of these carriers were not actively marketing.

BCBSAL is the dominant carrier in both markets, holding 86 percent of the individual market and 96 percent of small group market in 2010. BCBSAL reported about half of its individual enrollees in open plans. Smaller competitors in the individual market such as Golden Rule and Humana reported more than 90 percent of enrollees in open plans.

In the small group market, United Healthcare Insurance Company is BCBSAL's largest competitor, accounting for about three percent of member years in 2010. The vast majority of all small group enrollees are in open plans.

While the smaller carriers in Alabama seem poised to grow their business as the ACA expands consumer demand for private coverage, they will need to make some significant adjustments. Beyond the changes to product design and underwriting rules that became effective in 2010, the ACA will require them to adjust premium levels in 2011 to comply as the minimum medical loss ratio. Most carriers, excepting BCBSAL, reported 2010 medical loss ratios that, if continued into 2011, would require them to rebate premiums to policyholders. Moreover, by 2014, all carriers will need to make additional changes to some or all of their individual and small group benefit designs in order to comply with the ACA's limits on cost sharing and to include essential benefits such as maternity care, behavioral health care, and prescription drugs.

Overall, it seems likely that carriers with open products and that are actively marketing individual or small group coverage in Alabama would participate in either or both the individual exchange and the SHOP exchange. These include as many as six carriers in the individual market (BCBSAL, Golden Rule, Humana, Celtic, American Republic, and possibly United Healthcare Insurance Company) and four carriers in the small group market (BCBSAL, Humana, United Healthcare Insurance Company, and Viva Health).¹

¹ While United Healthcare of Alabama reported two open products in 2010 (Table 3-4), it appears to be in the process of leaving the group market altogether (Table 3-5).

While surplus levels in Alabama are not so high to deter other carriers from entering, several features of Alabama's market seem likely to deter new entry in the near term. These features are present to some degree in every state, but taken together, they seem likely to impede new entry in Alabama perhaps more than in other states, at least in the near term.

First, BCBSAL is so dominant in both markets that it would be difficult for a new carrier to gain the name recognition and reputation necessary to assemble a competitive provider network and attract enrollment quickly. A carrier that cannot enter the market strongly might be reluctant to enter at all.

Second, the fact that BCBSAL, in particular, is carrying so much individual business in closed products signals the potential for major change in how it will handle that business. Closed products inevitably experience adverse selection: as individuals who can pass medical underwriting move into open products, premiums in the closed block increase and fuel further exit. Predictably, enrollees who remain in the closed block present relatively high risk and are very likely to move immediately into open products (with generally healthier enrollees and, therefore, lower premiums) in 2014, whether offered by BCBSAL or another carrier. Anticipating that closed-block enrollees are very likely to seek new coverage in 2014, carriers not currently in Alabama's market may be reluctant to enter until the closed blocks are resolved.

Third, the presence of so many carriers in Alabama—including BCBSAL—that currently write MEWAs or AHPs suggests strong potential for these carriers to move small groups, in particular, out of the SHOP exchange. Recent federal guidance strongly indicates CMS's view that regulation implementing the ACA's individual and small group insurance provisions, respectively, should be uniform, whether written directly or through an AHP or MEWA. This approach should obviate some concerns about the potential for AHPs and MEWAs to drive adverse selection in market plans. However, as yet there is no federal guidance regarding the conversion of small groups to self-insured status, and Alabama currently has no regulation defining a minimum attachment point for stop loss coverage. In order to maintain a viable small group insurance market, the state might need to consider, at a minimum, rules governing the sale of stop loss coverage to small groups.

One important opportunity for new entry into Alabama's individual and small group markets might be via the regional health insurance plans that the ACA requires. Specifically, the ACA tasks the federal Office of Personnel Management (OPM) with making two national health plans available in every state exchange. Although OPM has not yet announced how it will proceed, the development of regional plans could offer the means for national carriers (or consortia including carriers already licensed in Alabama) to gain greater visibility and expand their business in the state.

Notwithstanding the potential that OPM's national plans will be new entrants to Alabama's individual and small group markets, the absence of new carriers would not necessarily pose a problem for either the individual exchange or the SHOP exchange. A larger and more transparent market, providing consumers with clear information about the cost and quality of comparable benefits, seems likely to offer existing carriers substantial opportunities to grow over time, especially if carriers that now compete in either the individual or small group market can be encouraged to cross into the other as well. If successful, this cross-over would offer individuals important new plan options—including HMO options that do not currently exist in the individual market—and deliver more competition to the small group market as well.

Appendix A

Data and Methods

DATA SOURCES AND ISSUES

The analysis in this report relies on data reported to the NAIC and to the Alabama DOI. Each data source is described below, and data issues and discrepancies are noted.

Data Sources

1. *NAIC Data.* Mathematica obtained the following data from the NAIC:
 - a. *April 1, 2011 Filing, including Supplemental Filing.* Data from the April 1, 2011 Accident and Health Policy Experience Exhibit for Year 2010 were obtained for carriers that wrote individual or small group coverage in Alabama. These data included information about these companies' business for MEWAs (row B.2) or Other Associations and Discretionary Trusts (that is, AHPs) (row B.3). This information is reported only for all states (not by state). Alabama-specific information on comprehensive individual and small group earned premiums was reported in the April 1, 2011 Supplemental Health Care Exhibit - Part 1 (row 1.1), as was information on incurred claims (rows 2.1 + 2.2–2.3–2.4), and member months (row 4 under "other indicators").
 - b. *Annual Statement: Exhibit of Premiums, Enrollment and Utilization (2006–2010).* For each carrier that filed as comprehensive health insurance companies and reported business in Alabama, information about current year member months, health premiums earned, and the amount incurred for provision of health services was extracted from the Exhibit of Premiums, Enrollment and Utilization for 2006–2010 (rows 6, 15 and 18).
 - c. *Annual Statement: 5-Year Historical Data.* For each carrier that filed as comprehensive health insurance companies and wrote business in Alabama, information on total adjusted capital (row 14) and ACL RBC (row 15) from 2006-2010 were extracted from the 5-Year Historical data page of the annual statement.
2. *HIOS Data.* For each carrier with individual or small group products, these data describe the types of products available in the individual and small group markets in each state (PPO, HMO, POS, association plans, etc.), other characteristics (available statewide or not, open vs. closed,

grandfathered, etc.) and enrollment. Carriers were required to report these data for each state under ACA. The Alabama DOI received these data for carriers in Alabama in February 2011 and provided the data to Mathematica for analysis.

3. *DOI data call.* Eleven carriers responded to a request for information issued by the Alabama DOI about the benefit and cost sharing features of their five most popular products.

Data Issues and Discrepancies

We found a number of discrepancies in definitions and reported amounts between and within the data sources used for this report. These include the following:

1. The HIOS enrollment is reported as the number of lives enrolled in each product in the last quarter of 2010. The NAIC data on member months in the Exhibit of Premiums, Enrollment and Utilization and the April 1, 2011 filing reflect full-year member months, rolled up across products. These two reported figures cannot be reconciled and cross checked.
2. Most carriers that reported writing comprehensive health coverage in Alabama did not report annual statement information as health companies (see Appendix Table A-1 for a list of companies identified through each data source). The April 1, 2011 data were reported by carriers that filed instead as fraternal, life, and property casualty companies, in addition to carriers that file as health companies. However, the April 1, 2011 filings only provided data for 2010 and could not be used to assess trends in the individual and small group markets. As a result, we report trend data on enrollment, premiums, incurred expenses, total adjusted capital, and authorized control level risk-based capital for a small subset of carriers.
3. Thirty carriers submitted an April 1, 2011 filing, but did not also report HIOS data. We were able to identify one such carrier as writing only student coverage. Of the remaining 29 companies who reported April 1 and not HIOS data, we reviewed the websites of the four largest companies selling individual policies. These companies appeared to be selling limited benefits policies, such as dental, vision, long-term care, and disease-specific policies. It is likely that many of these companies misreported policies as individual or small group comprehensive when they were not. Inclusion of these companies in the report did not materially affect the findings: in total, these 29 companies represented less than 1.5 percent and 0.5 percent of member years, earned premiums and incurred claims in the individual market and small group markets, respectively.
4. Among those companies who reported on both April 1, 2011 Supplemental Health Care Exhibit and the Annual Statement, the reported data sometimes differed between the two reports. This was due to

differences in the types of coverage included in each exhibit, and potentially also to inconsistent filing.

5. Carriers reported MEWAs and AHPs differently, both within and across the HIOS and NAIC data. For example, BCBSAL reported association products and enrollment in the individual market in its HIOS data. AHPs were also included in enrollment and premium data for individual products in BCBSAL's NAIC April 1, 2011 supplemental filing, but these were not reported separately in the April 1, 2011 filing; it reported AHPs as employer groups in its annual statement data.

We did not attempt to reconcile differences in data sources. However, where similar data elements (such as enrollment) are included in multiple reports, we did attempt to triangulate findings from the different data sources in order to present a coherent picture of the market.

METHODS

Describing Individual and Small Group Markets in 2010

Member months, premiums earned, claims, and the ratio of claims to premiums earned for carriers writing individual and small group policies in Alabama were tabulated from carriers' April 1, 2011 supplemental filings. Individual and small group enrollment and the number of products offered by carrier were tabulated from the HIOS data, as were the types of products offered (PPO, HMO, POS, association plans, etc.), other product characteristics (available statewide, open vs. closed, grandfathered, etc.) and enrollment by product type and characteristics.

Describing Trends in Individual and Group Markets: 2006–2010

From the Exhibit of Premiums, Enrollment and Utilization in each carrier's NAIC annual statements (2006–2010), total member months, earned premiums, and incurred expenses for provision of health services were used to calculate trends in each variable and in the carrier's medical loss ratio, separately for the carrier's individual and group business between 2006 and 2010. We recognize that the group data include small and large groups and may not reflect trends in the small group market.

Comparison of Existing Benefits Packages to Requirements under ACA

The most popular plans for the largest carriers in the Alabama's individual and small group markets were reviewed and specific elements extracted. As necessary, we supplemented the information that carriers reported by reviewing

information about these products on the carriers' websites. We summarized the products' deductibles (both in- and out-of-network), out-of-pocket maximums and coverage for prescription drugs, maternity and newborn care, and mental health and substance abuse care, and compared these benefits to requirements under ACA to understand the extent to which the largest carriers' individual and small group products would meet ACA requirements or would need to be modified to meet these requirements. We focused our attention on in-network financing, out of pocket maximums and three specific coverage items, namely, maternity care, prescription drugs, and behavioral health.

Assessing the Potential for Competition in an Exchange

For each carrier that filed as a health company in Alabama, we calculated the ratio of total adjusted capital to ACL RBC from 2006 to 2010 from the 5-Year Historical Data page of the carrier's annual statement. We further identified carriers in Alabama that reported writing coverage for MEWAs or AHPs in any state from the April 1, 2011 Accident and Health Policy Experience Exhibit in order to understand which carriers already do this business in Alabama or elsewhere, and the potential for the diversion of individual and small group business from the exchange if it is unconstrained in regulation.

Table A-1. Carriers Participating in Alabama's Individual Market, Small Group Market, or Both in 2010

Carrier	Individual market		Small group market	
	HIOS	NAIC	HIOS	NAIC
<i>Participating in both markets</i>				
Aetna Life Insurance Company ^a		✓		✓
American Medical Security	✓	✓	✓	
American Public Life Insurance Company ^a		✓		✓
BCBSAL	✓	✓	✓	✓
Federated Mutual Insurance Company		✓	✓	✓
Guarantee Trust Life	✓	✓	✓	
Humana Insurance Company	✓	✓	✓	✓
John Alden Life Insurance Company	✓	✓	✓	✓
Madison National	✓	✓	✓	
Principal Life	✓		✓	
Standard Security Life Insurance Company		✓	✓	✓
Time Insurance Company	✓	✓	✓	✓
Trustmark Life Insurance Company	✓	✓	✓	✓
United Healthcare Insurance Company ^b		✓	✓	✓
Viva Health		✓	✓	
World Insurance Company	✓	✓		✓

Table A-1. Carriers Participating in Alabama's Individual Market, Small Group Market, or Both in 2010

Carrier	Individual market		Small group market	
	HIOS	NAIC	HIOS	NAIC
<i>Participating only in small group market</i>				
Healthspring of AL				✓
United Healthcare of AL ^b			✓	✓
<i>Participating only in individual market</i>				
American Cas Co. of Reading PA ^a		✓		
American General Life & Accident Ins. Co. ^a		✓		
American National	✓	✓		
American National Life Ins. Co. of TX ^a		✓		
American Republic	✓	✓		
American States Insurance Company ^a		✓		
Banner Life Insurance Company ^a		✓		
Celtic	✓	✓		
Central United Life Insurance Company ^a		✓		
Chesapeake Life Insurance Company ^a		✓		
Cincinnati Life Insurance Company ^a		✓		
Cotton States Life Insurance Company ^a		✓		
Everence Association Inc. ^a		✓		
Freedom Life Insurance	✓	✓		
Golden Rule	✓	✓		
Guardian Life Insurance Company of America ^a		✓		
Illinois Mutual Life Insurance Company ^a		✓		
Independence American	✓	✓		
Life of America Insurance Company ^a		✓		
Mega Life & Health Insurance Company		✓		
Met Life of Connecticut	✓			
Metropolitan Life Insurance Company	✓	✓		
Mid West National Life Ins. Co. of TN ^a		✓		
Mutual of Omaha	✓			
National Benefit Life Insurance Company ^a		✓		
National Foundation Life Insurance Company	✓	✓		
National Health Insurance Company ^a		✓		
New Era Life	✓	✓		
New York Life Insurance Company ^a		✓		
Ohio State Life Insurance Company ^a		✓		
Pan American Life	✓			

Table A-1. Carriers Participating in Alabama's Individual Market, Small Group Market, or Both in 2010

Carrier	Individual market		Small group market	
	HIOS	NAIC	HIOS	NAIC
Philadelphia American Life	✓	✓		
Prudential Insurance Company of America	✓	✓		
Pyramid Life Insurance Company ^a		✓		
Reassure American Life Insurance Company ^a		✓		
Standard Life & Accident	✓	✓		
State Farm Mutual Automobile	✓	✓		
State Life Insurance Company ^a		✓		
Southern Farm Bureau Life Insurance Company ^a		✓		
Thrivent Financial for Lutherans	✓	✓		
Transamerica Life Insurance Company ^a		✓		
Unicare Life & Health Insurance Company ^a		✓		
United States Life Insurance Company of NYC ^a		✓		
United Teachers Association Ins. Co. ^a		✓		
William Penn Life Insurance Company of NY ^a		✓		

^a These companies reported comprehensive individual coverage in NAIC April 1, 2011 supplemental filings, but did not report HIOS data. A review of several companies' websites suggests these companies offer limited plans (e.g., dental, vision, condition-specific coverage). As 2011 was the first year companies reported April 1, 2011 data, it is possible that these companies misreported plans with limited benefits as comprehensive insurance.

^b United Healthcare Insurance company reported comprehensive individual coverage in NAIC April 1, 2011 supplemental filings for student health plans, but did not report these plans in HIOS.

Appendix B

Detailed Tables

The following tables include expanded data and information tables, as referenced in the body of the report.

Table B-1. Individual Health Insurance Member Years, Premiums, and Claims in Alabama by Carrier, 2010

Carrier	Member years		Earned premiums		Incurred claims		Earned premiums PMPM (\$)	Incurred claims PMPM (\$)	Medical loss ratio
	Number	Percent of total	Premiums (millions \$)	Percent of total	Claims (millions \$)	Percent of total			
BCBSAL	151,568	85.7	284.243	86.30	269.649	91.2	156	148	0.95
Golden Rule Ins. Co.	7,097	4.0	13.345	4.10	6.690	2.3	157	79	0.50
United Healthcare Ins. Co.	4,615	2.6	5.512	1.70	3.934	1.3	100	71	0.71
Humana Ins. Co.	3,526	2.0	5.124	1.60	3.185	1.1	121	75	0.62
Viva Health	2,252	1.3	3.955	1.20	2.595	0.9	146	96	0.66
Time Ins. Co.	2,195	1.2	4.968	1.50	2.098	0.7	189	80	0.42
Mega Life & Health Ins. Co.	1,039	0.6	2.705	0.80	0.588	0.2	217	47	0.22
Aetna Life Ins. Co. ^a	870	0.5	1.676	0.50	1.812	0.6	160	174	1.08
American General Life & Acc. Ins. Co. ^a	615	0.3	0.029	0.00	0.009	0.0	4	1	0.33
MidWest National Life Ins. Co. of TN ^a	590	0.3	1.098	0.30	0.560	0.2	155	79	0.51
Metropolitan Life Ins. Co. ^a	565	0.3	0.109	0.00	0.096	0.0	16	14	0.88
New York Life Ins. Co. ^a	493	0.3	2.571	0.80	2.495	0.8	434	422	0.97
World Ins. Co.	174	0.1	0.495	0.20	0.372	0.1	237	178	0.75
American Public Life Ins. Co. ^a	168	0.1	0.028	0.00	0.015	0.0	14	7	0.53
State Farm Mutual Auto Ins. Co.	160	0.1	0.630	0.20	0.596	0.2	328	311	0.95
John Alden Life Ins. Co.	150	0.1	0.458	0.10	0.354	0.1	255	197	0.77
Independence America Ins. Co.	133	0.1	0.187	0.10	0.025	0.0	118	16	0.14
Freedom Life Ins. Co. of America	110	0.1	0.191	0.10	0.226	0.1	145	171	1.18
Prudential Ins. Co. of America	85	0.0	0.059	0.00	0.008	0.0	58	8	0.13
Celtic Ins. Co.	83	0.0	0.382	0.10	0.097	0.0	386	98	0.25
American National Ins. Co.	57	0.0	0.018	0.00	-0.006	0.0	27	-8	-0.32
New Era Life Ins. Co.	46	0.0	0.076	0.00	0.007	0.0	138	13	0.10
Philadelphia American Life Ins. Co.	40	0.0	0.140	0.00	0.178	0.1	293	372	1.27
American Republic Ins. Co.	28	0.0	0.574	0.20	0.096	0.0	1,728	290	0.17
National Health Ins. Co. ^a	27	0.0	0.042	0.00	0.004	0.0	131	13	0.10
Standard Security Life Ins. Co. of NY	26	0.0	0.032	0.00	0.025	0.0	103	80	0.78
Trustmark Ins. Co.	15	0.0	0.303	0.10	-0.429	-0.1	1,638	-2,320	-1.42
American Medical Security Life Ins. Co.	14	0.0	0.103	0.00	0.120	0.0	601	695	1.16
Guarantee Trust Life Ins. Co.	12	0.0	0.065	0.00	0.139	0.0	448	966	2.16
Chesapeake Life Ins. Co. ^a	11	0.0	0.025	0.00	0.004	0.0	192	34	0.18

Table B-1. Individual Health Insurance Member Years, Premiums, and Claims in Alabama by Carrier, 2010

Carrier	Member years		Earned premiums		Incurred claims		Earned premiums PMPM (\$)	Incurred claims PMPM (\$)	Medical loss ratio
	Number	Percent of total	Premiums (millions \$)	Percent of total	Claims (millions \$)	Percent of total			
Transamerica Life Ins. Co. ^a	10	0.0	0.002	0.00	0.013	0.0	15	118	7.75
Standard Life & Accident Ins. Co.	8	0.0	0.004	0.00	0.008	0.0	38	88	2.30
American Casualty Co. of Reading PA ^a	4	0.0	0.000	0.00	0.001	0.0	3	23	7.35
National Found Life Ins. Co.	4	0.0	0.031	0.00	0.001	0.0	729	29	0.04
American States Ins. Co. ^a	3	0.0	0.013	0.00	0.000	0.0	318	1	0.00
Madison National Life Ins. Co.	3	0.0	0.007	0.00	-0.007	0.0	182	-175	-0.96
American National Life Ins. Co. of TX ^a	3	0.0	0.011	0.00	-0.001	0.0	315	-29	-0.09
Cotton States Life Ins. Co. ^a	3	0.0	0.008	0.00	0.003	0.0	230	70	0.30
Reassure American Life Ins. Co. ^a	3	0.0	0.000	0.00	0.000	0.0	5	3	0.67
United Teacher Assoc Ins. Co. ^a	3	0.0	0.000	0.00	0.000	0.0	4	0	0.03
Banner Life Ins. Co. ^a	2	0.0	0.000	0.00	-0.000	0.0	8	0	-0.02
Pyramid Life Ins. Co. ^a	1	0.0	0.017	0.00	0.003	0.0	1,224	187	0.15
Central United Life Ins. Co. ^a	1	0.0	0.002	0.00	0.000	0.0	179	2	0.01
Southern Farm Bureau Life Ins. Co. ^a	1	0.0	0.009	0.00	0.002	0.0	742	187	0.25
Thrivent Financial for Lutherans	1	0.0	0.007	0.00	0.005	0.0	561	383	0.68
United States Life Ins. Co. in NYC ^a	1	0.0	0.001	0.00	0.001	0.0	115	52	0.45
State Life Ins. Co. ^a	1	0.0	0.000	0.00	-0.000	0.0	31	-9	-0.28
Illinois Mutual Life Ins. Co. ^a	1	0.0	0.000	0.00	-0.000	0.0	10	-10	-0.94
Life of America Ins. Co. ^a	<1	0.0	0.002	0.00	-0.001	0.0	211	-84	-0.40
Everence Assn. ^a	<1	0.0	0.000	0.00	0.000	0.0	0	0	
Federated Mutual Ins. Co.	<1	0.0	0.008	0.00	0.140	0.0	1,260	23,385	18.57
Unicare Life & Health Ins. Co. ^a	<1	0.0	0.001	0.00	0.000	0.0	176	107	0.61
Guardian Life Ins. Co. of America ^a	0	0.0	0.012	0.00	0.005	0.0	—	—	—
William Penn Life Ins. Co. of NY ^a	0	0.0	0.000	0.00	0.000	0.0	—	—	—
National Benefit Life Ins. Co. ^a	0	0.0	0.000	0.00	0.000	0.0	—	—	—
Cincinnati Life Ins. Co. ^a	0	0.0	0.000	0.00	0.000	0.0	—	—	—
Ohio State Life Ins. Co. ^a	0	0.0	0.000	0.00	0.009	0.0	—	—	—
Total	176,817	100.0	329.278	100.00	295.728	100.0	155	139	0.90

Source: Mathematica Policy Research analysis of carrier data filed April 1, 2011, provided by the NAIC.

^a These companies reported comprehensive individual coverage in NAIC April 1, 2011 supplemental filings but did not report data to HIOS. A review of several companies' websites suggests these companies offer only limited plans such as dental, vision, condition-specific coverage. Because 2011 was the first year companies reported the April 1, 2011 information, these companies may have misreported enrollment in plans with limited benefits as enrollment in comprehensive insurance.

Table B-2. Number of Individual Health Insurance Products in Alabama and Total Enrollment by Major Carrier, 2010

Carrier	Individual insurance products		Individual enrollees	
	Number	Percent of total	Number	Percent of total
BCBSAL	15	8.00	151,299	92.00
Golden Rule	17	9.10	7,084	4.30
Humana Insurance Co.	18	9.60	3,449	2.10
Time Insurance Co.	10	5.30	1,505	0.90
Principal Life	1	0.50	232	0.10
Freedom Life Insurance	14	7.50	209	0.10
State Farm Mutual Automobile	5	2.70	122	0.10
John Alden	6	3.20	104	0.10
Celtic	6	3.20	102	0.10
World Insurance Co.	13	7.00	94	0.10
Independence American	1	0.50	72	0.00
American Republic	43	23.00	26	0.00
Philadelphia American Life	1	0.50	19	0.00
New Era Life	3	1.60	17	0.00
National Foundation Life	3	1.60	12	0.00
Standard Life & Accident	2	1.10	10	0.00
American Medical Security	6	3.20	9	0.00
American National	4	2.10	8	0.00
Trustmark	6	3.20	7	0.00
Metropolitan Life	3	1.60	5	0.00
Standard Security Life	1	0.50	5	0.00
Prudential Insurance Co. of America	2	1.10	4	0.00
Guarantee Trust Life	2	1.10	3	0.00
Met Life of Connecticut	1	0.50	2	0.00
Thrivent Financial for Lutherans	1	0.50	2	0.00
Madison National	1	0.50	1	0.00
Mutual of Omaha	1	0.50	1	0.00
Pan American Life	1	0.50	1	0.00
Total	187	100.00	164,404	100.00

Source: Mathematica Policy Research analysis of HIOS data provided by the Alabama DOI.

Note: The distributions reported in this table reflect carriers that reported separately to the Alabama DOI that they wrote comprehensive individual coverage, and exclude 30 carriers (included in Table B-1) that may have erroneously reported writing comprehensive coverage in their April 1, 2011 filing. These 30 companies represented, in total, less than 1.5 percent of individual-product enrollees in 2010.

Table B-3. Number of Open or Closed Individual Health Insurance Products and Enrollment by Major Carrier, 2010

Carrier	Products		Enrollment	
	Number	Percent of total	Number	Percent of total
<i>Open products</i>	45	24.1	84,742	51.5
BCBSAL	5	2.7	74,161	45.1
American Republic	17	9.1	21	0.0
Celtic	3	1.6	73	0.0
Golden Rule	5	2.7	6,430	3.9
Humana Ins. Co.	11	5.9	3,172	1.9
John Alden	2	1.1	56	0.0
Time Ins Co	2	1.1	829	0.5
<i>Closed products</i>	142	75.9	79,662	48.5
BCBSAL	10	5.3	77,138	46.9
American Medical Security	6	3.2	9	0.0
American National	4	2.1	8	0.0
American Republic	26	13.9	5	0.0
Celtic	3	1.6	29	0.0
Freedom Life Ins.	14	7.5	209	0.1
Golden Rule	12	6.4	654	0.4
Guarantee Trust Life	2	1.1	3	0.0
Humana Ins. Co.	7	3.7	277	0.2
Independence American	1	0.5	72	0.0
John Alden	4	2.1	48	0.0
Madison National	1	0.5	1	0.0
Met Life of Connecticut	1	0.5	2	0.0
Metropolitan Life	3	1.6	5	0.0
Mutual of Omaha	1	0.5	1	0.0
National Foundation Life	3	1.6	12	0.0
New Era Life	3	1.6	17	0.0
Pan American Life	1	0.5	1	0.0
Philadelphia American Life	1	0.5	19	0.0
Principal Life	1	0.5	232	0.1
Prudential Ins. Co. of America	2	1.1	4	0.0
Standard Life & Accident	2	1.1	10	0.0

Table B-3. Number of Open or Closed Individual Health Insurance Products and Enrollment by Major Carrier, 2010

Carrier	Products		Enrollment	
	Number	Percent of total	Number	Percent of total
Standard Security Life	1	0.5	5	0.0
State Farm Mutual Automobile	5	2.7	122	0.1
Thrivent Financial for Lutherans	1	0.5	2	0.0
Time Ins. Co.	8	4.3	676	0.4
Trustmark	6	3.2	7	0.0
World Ins. Co.	13	7.0	94	0.1
Total	187	100.0	164,404	100.0

Source: Mathematica Policy Research analysis of HIOS data provided by the Alabama DOI.

Note: The distributions reported in this table reflect carriers that reported separately to the Alabama DOI that they wrote comprehensive individual coverage, and exclude 30 carriers (included in Table B-1) that may have erroneously reported writing comprehensive coverage in their April 1, 2011 filing. These 30 companies represented, in total, less than 1.5 percent of individual-product enrollees in 2010.

Table B-4. Number of Individual Health Insurance Products in Alabama and Enrollment by Product Type by Carrier in Individual Market, 2010

Carrier	PPO products		Indemnity products		POS products		Other products		HSA-qualified products	
	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)
BCBSAL	15 (100%)	151299 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	5 (33.3%)	3300 (2.2%)
Golden Rule	10 (58.8%)	7066 (99.7%)	7 (41.2%)	18 (0.3%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Humana Insurance Co.	10 (55.6%)	3313 (96.1%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	8 (44.4%)	136 (3.9%)	0 (0%)	0 (0%)
American Medical Security	5 (83.3%)	9 (100%)	0 (0%)	0 (0%)	1 (16.7%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
American National	0 (0%)	0 (0%)	4 (100%)	8 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
American Republic	30 (69.8%)	26 (100%)	13 (30.2%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Celtic	5 (83.3%)	102 (100%)	1 (16.7%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Freedom Life Insurance	14 (100%)	209 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Guarantee Trust Life	2 (100%)	3 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Independence American	1 (100%)	72 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
John Alden	4 (66.7%)	103 (99.0%)	2 (33.3%)	1 (1.0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Madison National	1 (100%)	1 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Met Life of Connecticut	0 (0%)	0 (0%)	1 (100%)	2 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Metropolitan Life	0 (0%)	0 (0%)	3 (100%)	5 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Mutual of Omaha	0 (0%)	0 (0%)	1 (100%)	1 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)

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Table B-4. Number of Individual Health Insurance Products in Alabama and Enrollment by Product Type by Carrier in Individual Market, 2010

Carrier	PPO products		Indemnity products		POS products		Other products		HSA-qualified products	
	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)
National Foundation Life	1 (33.3%)	3 (25.0%)	2 (66.7%)	9 (75.0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
New Era Life	0 (0%)	0 (0%)	0 (0%)	0 (0%)	3 (100%)	17 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Pan American Life	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)	1 (100%)	0 (0%)	0 (0%)
Philadelphia American Life	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)	19 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Principal Life	0 (0%)	0 (0%)	1 (100%)	232 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Prudential Insurance Co. of America	0 (0%)	0 (0%)	2 (100%)	4 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Standard Life & Accident	0 (0%)	0 (0%)	2 (100%)	10 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Standard Security Life	1 (100%)	5 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
State Farm Mutual Automobile	0 (0%)	0 (0%)	5 (100%)	122 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Thrivent Financial for Lutherans	0 (0%)	0 (0%)	1 (100%)	2 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Time Insurance Co.	5 (50.0%)	1,431 (95.1%)	5 (50.0%)	74 (4.9%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Trustmark	3 (50.0%)	4 (57.1%)	3 (50.0%)	3 (42.9%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
World Insurance Co.	12 (92.3%)	93 (98.9%)	1 (7.7%)	1 (1.1%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)

Source: Mathematica Policy Research analysis of HIOS data provided by the Alabama DOI.

Table B-5. Number of Association, Open, Statewide, or Grandfathered Individual Health Insurance Products in Alabama and Enrollment by Carrier, 2010

Carrier	Association products		Open products		Statewide products		Grandfathered products	
	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)
BCBSAL	1 (6.7%)	26,876 (17.8%)	5 (33.3%)	74,161 (49.0%)	15 (100%)	151,299 (100%)	10 (66.7%)	92,575 (61.2%)
American Medical Security	0 (0%)	0 (0%)	0 (0%)	0 (0%)	6 (100%)	9 (100%)	0 (0%)	0 (0%)
American National	0 (0%)	0 (0%)	0 (0%)	0 (0%)	4 (100%)	8 (100%)	0 (0%)	0 (0%)
American Republic	4 (9.3%)	12 (46.2%)	17 (39.5%)	21 (80.8%)	43 (100%)	26 (100%)	0 (0%)	0 (0%)
Celtic	0 (0%)	0 (0%)	3 (50.0%)	73 (71.6%)	6 (100%)	102 (100%)	0 (0%)	0 (0%)
Freedom Life Insurance	0 (0%)	0 (0%)	0 (0%)	0 (0%)	14 (100%)	209 (100%)	0 (0%)	0 (0%)
Golden Rule	0 (0%)	0 (0%)	5 (29.4%)	6,430 (90.8%)	17 (100%)	7,084 (100%)	11 (64.7%)	647 (9.1%)
Guarantee Trust Life	1 (50.0%)	1 (33.3%)	0 (0%)	0 (0%)	2 (100%)	3 (100%)	2 (100%)	3 (100%)
Humana Insurance Co.	8 (44.4%)	136 (3.9%)	11 (61.1%)	3,172 (92.0%)	18 (100%)	3,449 (100%)	5 (27.8%)	233 (6.8%)
Independence American	1 (100%)	72 (100%)	0 (0%)	0 (0%)	1 (100%)	72 (100%)	0 (0%)	0 (0%)
John Alden	0 (0%)	0 (0%)	2 (33.3%)	56 (53.8%)	6 (100%)	104 (100%)	0 (0%)	0 (0%)
Madison National	1 (100%)	1 (100%)	0 (0%)	0 (0%)	1 (100%)	1 (100%)	0 (0%)	0 (0%)
Met Life of Connecticut	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)	2 (100%)	0 (0%)	0 (0%)
Metropolitan Life	0 (0%)	0 (0%)	0 (0%)	0 (0%)	3 (100%)	5 (100%)	0 (0%)	0 (0%)
Mutual of Omaha	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)	1 (100%)	0 (0%)	0 (0%)

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Table B-5. Number of Association, Open, Statewide, or Grandfathered Individual Health Insurance Products in Alabama and Enrollment by Carrier, 2010

Carrier	Association products		Open products		Statewide products		Grandfathered products	
	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)
National Foundation Life	0 (0%)	0 (0%)	0 (0%)	0 (0%)	3 (100%)	12 (100%)	0 (0%)	0 (0%)
New Era Life	0 (0%)	0 (0%)	0 (0%)	0 (0%)	3 (100%)	17 (100%)	0 (0%)	0 (0%)
Pan American Life	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)	1 (100%)	0 (0%)	0 (0%)
Philadelphia American Life	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)	19 (100%)	0 (0%)	0 (0%)
Principal Life	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)	232 (100%)	0 (0%)	0 (0%)
Prudential Insurance Co. of America	0 (0%)	0 (0%)	0 (0%)	0 (0%)	2 (100%)	4 (100%)	2 (100%)	4 (100%)
Standard Life & Accident	0 (0%)	0 (0%)	0 (0%)	0 (0%)	2 (100%)	10 (100%)	0 (0%)	0 (0%)
Standard Security Life	1 (100%)	5 (100%)	0 (0%)	0 (0%)	1 (100%)	5 (100%)	0 (0%)	0 (0%)
State Farm Mutual Automobile	0 (0%)	0 (0%)	0 (0%)	0 (0%)	5 (100%)	122 (100%)	5 (100%)	122 (100%)
Thrivent Financial for Lutherans	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)	2 (100%)	1 (100%)	2 (100%)
Time Insurance Co.	0 (0%)	0 (0%)	2 (20.0%)	829 (55.1%)	10 (100%)	1,505 (100%)	0 (0%)	0 (0%)
Trustmark	0 (0%)	0 (0%)	0 (0%)	0 (0%)	6 (100%)	7 (100%)	6 (100%)	7 (100%)
World Insurance Co.	13 (100%)	94 (100%)	0 (0%)	0 (0%)	13 (100%)	94 (100%)	0 (0%)	0 (0%)

Source: Mathematica Policy Research analysis of HIOS data provided by the Alabama DOI.

Table B-6. Total Member Years In Individual Health Coverage: Alabama Carriers that Filed as Health Companies, 2006–2010

Carrier	2006	2007	2008	2009	2010	Change: 2006–2010	Percent change: 2006–2010
<i>Member years</i>							
BCBSAL	35,807	63,930	72,412	98,244	120,904	85,098	237.7%
America Life and Health Ins. Co.	6	5	63	NA	NA	—	—
Viva Health	27,508	0	0	0	0	—	—
Healthspring of AL	167	0	0	0	0	—	—
<i>Earned premiums PMPM</i>							
BCBSAL	\$134	\$134	\$136	\$135	\$136	\$2	1.2%
America Life and Health Ins. Co.	\$92	\$87	\$110	—	—	—	—
Viva Health	\$223	—	—	—	—	—	—
Healthspring of AL	\$162	—	—	—	—	—	—

Source: Mathematica Policy Research analysis carriers' annual statement data, provided by NAIC.

Note: Information reported in carriers' annual statement data are not reconciled to that reported in either their April 1, 2011 filing or in HIOS data, and may differ slightly if carriers reported in error or corrected earlier reporting.

Table B-7. Insured Small Group Member Years, Earned Premiums and Claims Incurred in Alabama by Carrier, 2010

Carrier	Member years		Premiums		Claims		Premiums PMPM (\$)	Claims PMPM (\$)	Medical loss ratio
	Number	Percent of total	Total (millions \$)	Percent of total	Total (millions \$)	Percent of total			
BCBSAL	319,246	95.7	1,169.9	96.3	1,022.3	96.9	305	267	0.87
UnitedHealthcare Ins. Co.	9,992	3.0	32.7	2.7	24.7	2.3	272	206	0.76
Viva Health	1,965	0.6	6.9	0.6	5.0	0.5	293	214	0.73
American Public Life Ins. Co. ^a	980	0.3	0.4	0.0	0.1	0.0	30	10	0.33
Trustmark Life Ins. Co.	850	0.3	2.5	0.2	2.0	0.2	249	199	0.80
John Alden Life Ins. Co.	256	0.1	0.8	0.1	0.5	0.0	255	168	0.66
Federated Mutual Ins. Co.	122	0.0	0.5	0.0	0.3	0.0	353	206	0.58
United Healthcare of AL	72	0.0	0.4	0.0	(0.1)	0.0	476	(92.00)	(0.19)
Standard Security Life Ins. Co. of NY	67	0.0	0.3	0.0	0.3	0.0	324	341	1.05
Time Ins. Co.	24	0.0	0.1	0.0	0.2	0.0	360	688	1.91
World Ins. Co.	6	0.0	0.0	0.0	0.0	0.0	594	454	0.77
Aetna Life Ins. Co. ^a	3	0.0	0.1	0.0	0.0	0.0	1,812	563	0.31
Humana Ins. Co.	2	0.0	0.0	0.0	0.0	0.0	677	181	0.27
American Republic Ins. Co.	0	0.0	0.1	0.0	0.0	0.0	—	—	—
Total	333,585	100.0	1,214.6	100.0	1,055.5	100.0	303	264	0.87

Source: Mathematica Policy Research analysis of carriers' data filed April 1, 2011 provided by NAIC.

^a These companies reported comprehensive individual coverage in NAIC April 1, 2011 supplemental filings but did not report data to HIOS. A review of several companies' websites suggests these companies offer only limited plans such as dental, vision, condition-specific coverage. Because 2011 was the first year companies reported the April 1 information, these companies may have misreported enrollment in plans with limited benefits as enrollment in comprehensive insurance.

Table B-8. Number of Small Group Health Insurance Products in Alabama and Enrollment by Carrier, 2010

Carrier	PPO products		Indemnity products		HMO products		POS products		HSA-qualified products	
	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)
BCBSAL	12 (100%)	304,147 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (8.3%)	265 (0.1%)
United Healthcare	1 (50%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (50%)	5,088 (100%)	0 (0%)	0 (0%)
American Medical Security	0 (0%)	0 (0%)	1 (100%)	2 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Federated Mutual	2 (100%)	138 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Guarantee Trust life	1 (100%)	0 (N/A)	0 (0%)	0 (N/A)	0 (0%)	0 (N/A)	0 (0%)	0 (N/A)	0 (0%)	0 (N/A)
Humana Insurance Co.	1 (50%)	2 (100%)	1 (50.0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
John Alden	1 (100%)	246 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Madison National	1 (100%)	0 (N/A)	0 (0%)	0 (N/A)	0 (0%)	0 (N/A)	0 (0%)	0 (N/A)	0 (0%)	0 (N/A)
Principal Life	1 (50%)	0 (N/A)	1 (50.0%)	0 (N/A)	0 (0%)	0 (N/A)	0 (0%)	0 (N/A)	0 (0%)	0 (N/A)
Standard Security Life	1 (100%)	4 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Time Insurance Co.	1 (33.3%)	25 (78.1%)	2 (66.7%)	7 (21.9%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Trustmark Life	9 (100%)	3,210 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
United Healthcare of Alabama	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (50.0%)	174 (85.7%)	1 (50.0%)	29 (14.3%)	0 (0%)	0 (0%)
Viva Health	0 (0%)	0 (0%)	0 (0%)	0 (0%)	15 (100%)	2,955 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)

Source: Mathematica Policy Research analyses of HIOS data provided by the Alabama DOI.

Table B-9. Number of Association, Open, Statewide, or Grandfathered Small Group Health Insurance Products in Alabama and Enrollment by Carrier, 2010

Carrier	Association products		Open products		Statewide products		Grandfathered products	
	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)	Number of products (% of carrier's products)	Enrollment (% of carrier's enrollment)
BCBSAL	0 (0%)	0 (0%)	11 (91.7%)	304,146 (100%)	12 (100%)	304,147 (100%)	0 (0%)	0 (0%)
United Healthcare	0 (0%)	0 (0%)	2 (100%)	5,088 (100%)	2 (100%)	5,088 (100%)	0 (0%)	0 (0%)
American Medical Security	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)	2 (100%)	0 (0%)	0 (0%)
Federated Mutual	0 (0%)	0 (0%)	0 (0%)	62 (44.9%)	2 (100%)	138 (100%)	0 (0%)	0 (0%)
Guarantee Trust life	0 (0%)	0 (N/A)	0 (0%)	0 (N/A)	1 (100%)	0 (N/A)	0 (0%)	0 (N/A)
Humana Insurance Co.	0 (0%)	0 (0%)	2 (100%)	2 (100%)	1 (50%)	0 (0%)	0 (0%)	0 (0%)
John Alden	0 (0%)	0 (0%)	1 (100%)	246 (100%)	1 (100%)	246 (100%)	0 (0%)	0 (0%)
Madison National	1 (100%)	0 (N/A)	0 (0%)	0 (N/A)	1 (100%)	0 (N/A)	0 (0%)	0 (N/A)
Principal Life	0 (0%)	0 (N/A)	0 (0%)	0 (N/A)	2 (100%)	0 (N/A)	0 (0%)	0 (N/A)
Standard Security Life	1 (100%)	4 (100%)	0 (0%)	0 (0%)	1 (100%)	4 (100%)	0 (0%)	0 (0%)
Time Insurance Co.	0 (0%)	0 (0%)	0 (0%)	0 (0%)	3 (100%)	32 (100%)	0 (0%)	0 (0%)
Trustmark Life	3 (33.3%)	0 (0%)	3 (33.3%)	3,210 (100%)	9 (100%)	3,210 (100%)	0 (0%)	0 (0%)
United Healthcare of Alabama	0 (0%)	0 (0%)	2 (100%)	203 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Viva Health	0 (0%)	0 (0%)	4 (26.7%)	2,584 (87.4%)	0 (0%)	0 (0%)	4 (26.7%)	371 (13%)

Source: Mathematica Policy Research analyses of HIOS data provided by the Alabama DOI.

Table B-10. Open or Closed Small Group Health Insurance Products and Enrollment by Carrier, 2010

Carrier	Products		Enrollment	
	Number	Percent of total	Number	Percent of total
<i>Open products</i>	25	46.3	315,479	99.8
BCBSAL	11	20.4	304,146	96.2
Humana Insurance Co.	2	3.7	2	0.0
John Alden	1	1.9	246	0.1
Trustmark Life	3	5.6	3,210	1.0
United Healthcare	2	3.7	5,088	1.6
United Healthcare of Alabama	2	3.7	203	0.1
Viva Health	4	7.4	2,584	0.8
<i>Closed products</i>	29	53.7	548	0.2
BCBSAL	1	1.9	1	0.0
American Medical Security	1	1.9	2	0.0
Federated Mutual	2	3.7	138	0.0
Guarantee Trust life	1	1.9	0	0.0
Madison National	1	1.9	0	0.0
Principal Life	2	3.7	0	0.0
Standard Security Life	1	1.9	4	0.0
Time Insurance Co.	3	5.6	32	0.0
Trustmark Life	6	11.1	0	0.0
Viva Health	11	20.4	371	0.1
Total	54	100.0	316,027	100.0

Source: Mathematica Policy Research analysis of HIOS data provided by the Alabama DOI.

*Table B-11. Total Group Health Insurance Member Years:
Alabama Carriers that file as Health Companies, 2006–2010*

Carrier	2006	2007	2008	2009	2010	Change: 2006–2010	Percent change: 2006–2010
BCBSAL	825,990	801,413	785,724	741,279	680,236	-145,754	-17.6
Viva Health Inc.	—	29,177	28,348	27,397	28,106	28,106	-3.7 ^a
Healthspring of AL	7,598	753	959	746	319	-7,279	-95.8
United Healthcare of AL	3,078	2,317	498	80	109	-2,969	-96.5

Source: Mathematica Policy Research analysis of Exhibit of Premiums, Enrollment and Utilization for years ending December 31.

Notes: Data include large and small groups. Viva Health, Inc. did not report writing group business in Alabama in 2006.

^a Percent change calculated from 2007–2010.

Table B-12. Total and PMPM Premiums and Claims Incurred for Comprehensive Group Coverage Plans, 2010

Carrier	Total dollars					Percent change: 2006–2010 ^a	PMPM dollars					Percent change: 2006–2010
	2006	2007	2008	2009	2010		2006	2007	2008	2009	2010	
<i>Premiums earned (\$ millions)</i>												
BCBSAL	2,358.1	2,406.1	2,522.2	2,508.2	2,478.4	5.1	238	250	268	282	304	27.6
Viva Health Inc.	0.0	82.2	85.1	82.2	88.8	8.0 ^b	—	235	250	250	263	12.2
Healthspring of AL	24.2	2.6	3.2	2.9	1.3	-94.5	266	287	281	327	351	32.0
United Healthcare of AL	12.0	9.0	2.4	0.4	0.5	-95.6	325	322	398	450	408	25.4
<i>Claims incurred (\$ millions)</i>												
BCBSAL	2,133.1	2,215.3	2,290.1	2,324.8	2,139.5	0.3	215	230	243	261	262	21.8
Viva Health Inc.	0.0	70.7	70.8	60.7	67.6	-4.5	0	202	208	184	200	-0.8
Healthspring of AL	18.0	1.9	3.9	3.1	1.6	-90.9	198	210	342	351	430	117.3
United Healthcare of AL	8.0	7.4	2.0	(0.8)	(0.0)	100.3	217	265	330	(846)	(20)	109.1
<i>Medical loss ratio (claims incurred per premiums earned)</i>												
BCBSAL	90%	92%	91%	93%	86%	-4	—	—	—	—	—	—
Viva Health	—	86%	83%	74%	76%	-10 ^c	—	—	—	—	—	—
Healthspring of AL	75%	73%	122%	107%	123%	48	—	—	—	—	—	—
United Healthcare of AL	67%	82%	83%	-188%	-5%	-72	—	—	—	—	—	—

Source: Mathematica analyses of Exhibit of Premiums, Enrollment, and Utilization from carriers who filed as comprehensive health insurance carriers. These data are for all group products, and include large and small groups.

Note: Total premiums are as reported in row 15 of the Exhibit of Premiums, Enrollment and Utilization. Incurred expenses are as reported in row 18. Premiums and incurred claims per member per month are calculated using member months as reported in row 6.

^a Change in the medical loss ratios is calculated as the percentage point difference.

^b Calculated as the percent change from 2007 to 2010.

^c Calculated as the percentage point difference from 2007 to 2010.

Table B-13. Total Adjusted Capital and as a Percent of ACL RBC, 2006–2010

Carrier	2006	2007	2008	2009	2010	Percent change: 2006–2010
<i>Total adjusted capital</i>						
BCBSAL	\$694.6	\$744.5	\$656.4	\$649.0	\$855.8	23.2%
Viva Health Inc.	\$15.9	\$18.4	\$23.1	\$31.2	\$33.6	111.6%
Healthspring of AL	\$30.3	\$36.7	\$44.3	\$41.9	\$59.5	96.5%
United Healthcare of AL	\$53.2	\$83.4	\$55.3	\$57.7	\$44.8	-15.8%
<i>Authorized control level risk-based capital</i>						
BCBSAL	\$93.0	\$96.3	\$113.0	\$130.5	\$120.8	29.9%
Viva Health Inc.	\$7.5	\$8.9	\$9.8	\$10.5	\$13.2	75.1%
Healthspring of AL	\$8.3	\$11.5	\$10.3	\$12.0	\$11.6	39.4%
United Healthcare of AL	\$11.0	\$11.0	\$12.3	\$12.6	\$12.2	10.6%
<i>Total adjusted capital as a percent of authorized control level risk-based capital</i>						
BCBSAL	746.7%	773.2%	580.8%	497.2%	708.5%	-5.1%
Viva Health Inc.	210.5%	206.1%	236.0%	296.7%	254.4%	20.8%
Healthspring of AL	365.2%	319.0%	431.3%	348.8%	514.6%	40.9%
United Healthcare of AL	483.1%	758.8%	450.8%	457.4%	367.7%	-23.9%

Source: Mathematica Policy Research analysis carrier annual statement data provided by NAIC.

Note: Estimates are calculated at the company level, not only for business in Alabama.

Appendix C

Abbreviations

ACA	Affordable Care Act
ACL	authorized control-level
AHP	association health plans
AL	Alabama
BCBSAL	Blue Cross Blue Shield of Alabama
CMS	Centers for Medicare and Medicaid Services
DOI	Department of Insurance
DOL	U.S. Department of Labor
ERISA	Employee Retirement Income Security Act
FSA	flexible spending account
HIOS	Health Insurance Oversight System
HMO	health management organization
HSA	health savings account
HSAQ	health savings account-qualified
MEWAs	multiple employer welfare arrangements
NA	not applicable
NAIC	National Association of Insurance Commissioners
OPM	Office of Personnel Management
PMPM	per member per month
POS	point-of-service
PPO	preferred provider organization
RBC	risk based capital
SHOP	Small Employer Health Options Program
TN	Tennessee
TX	Texas

