



## Report: Small-group health market shrinking

Posted by Mark Sanchez | Business Review Western Michigan June 04, 2009 08:00AM

As attention in Lansing focused on individual coverage, the health insurance market for small businesses in Michigan shrank again in 2008.

The number of member months in the small-group market for companies with two to 50 employees declined 12.7 percent last year to 8.8 million member months. Premiums paid decreased 7.9 percent to \$2.44 billion, according to an [annual report on small-group market competition](#) by the Michigan Office of Financial and Insurance Regulation.

Scott Lyon, vice president of small business services at the [Small Business Association of Michigan](#), attributes the decline to the economy and costs that together have a growing number of small businesses dropping coverage.

The decline in the size of the small-group market, which covers more than 714,000 people, adds to the urgency to enact reforms in the individual insurance market, Lyon said.

"That is primarily where the employees that are no longer in the small-group market are headed," Lyon said.

Anecdotally, Lyon said, SBAM hears from members who have dropped group coverage and now provide their employees a stipend they can use to buy their own individual health insurance policy.

As the individual market grows, legislators in the state House and Senate are now weighing varying plans introduced last month in each chamber which aim to make individual coverage more affordable and accessible in Michigan.

The decline in the small-group market for five straight years also shows the need "to create some more affordable options" for small businesses, Michigan Association of Health Plans Executive Director Rick Murdock said.

Despite the decreases, the small-group market remains "awfully big," Lyon said, though a prolonged decline in its size could begin to threaten the risk pool.

"Ultimately, that's the bottom line. You don't want to send everything into a death spiral where you're constantly chasing rates," Lyon said.

Elsewhere, the annual OFIR report on small-market competition shows that Blue Cross Blue Shield of Michigan further regained market share in 2008 after declines in the years immediately following the adoption of small-market reforms in 2003.

The Blues held a 49.4 percent share of the small-group market at the end of 2008, up from 46.4 percent in 2007, but still well below the 59.1 percent of 2003.

Blue Cross Blue Shield's HMO subsidiary, Blue Care Network, saw its market share decline to 11.2 percent in 2008, from 12.8 percent in 2007.

Grand Rapids-based Priority Health's market share declined to 9.6 percent last year from 11.8 percent in the prior year, though the company says it may have understated its data to OFIR and actually grew market share.

Overall, insurance Commissioner Ken Ross again concluded that five years after small-market reforms, a "reasonable degree" of competition exists in the market for small-employer health coverage.

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