



# ISSUE BRIEF

## California's Competitive Individual Insurance Market

### PROTECTING INDIVIDUAL COVERAGE

A guarantee issue requirement in California, particularly one without an individual mandate, could have a devastating effect on California's individual market. We know from past experience, premiums will skyrocket and enrollment drop dramatically, leaving fewer people paying considerable more for their health coverage. We should learn from other states before we enact policy that could have an adverse impact on our shared goal of expanded coverage.

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### ROBUST ENROLLMENT AND FAIR PRICES

#### Robust Enrollment

California individual health insurance products serve as a valuable option to people who are not otherwise covered through employers, public programs or other forms of group coverage. Nearly 3 million of insured Californians obtain their health coverage through the individual market. These consumers include young adults, employees without employer coverage, the self-employed, small business owners and their employees, and the unemployed who do not qualify for government programs. Based on the March 2007 Current Population Survey (CPS)<sup>1</sup> data, California enjoys the largest individual plan enrollment of all states and is equal to CPS' mid-Atlantic and New England regions combined.

*TABLE 1 (Right): California individual enrollment largest in the U.S., equal to eight eastern states combined.*

Region & State	Number of People Using Individual Coverage*
Total U.S. Insured	17.9
<b>California</b>	<b>2.9</b>
<b>Mid-Atlantic and New England Regions</b>	
Maine	0.1
New Hampshire	0.4
Massachusetts	0.3
Rhode Island	0.1
Connecticut	0.2
New York	0.9
New Jersey	0.3
Pennsylvania	0.8
<b>Combined Total:</b>	<b>2.9</b>
* In Millions **Data Unavailable for Vermont	

### CALIFORNIA PRICES DRAMATICALLY LOWER THAN STATES WITH GUARANTEED ISSUE

California's prices are near the national average for families and individuals and dramatically lower than states with guaranteed issue (GI) of coverage. According to a comprehensive survey from America's Health Insurance Plans (AHIP)<sup>2</sup>, the annual cost of coverage in California is only \$5,884 for a family of three and \$2,565 for individuals – 25 to 50 percent cheaper than premiums charged in New Jersey, Massachusetts, New York, and New Hampshire.

*TABLE 2 (Right): California premiums are near the national average for families and below the national average for individuals.*

Annual Costs by State	GI	Family Policy	Single Policy
Massachusetts	Y	\$16,987	\$8,537
New York	Y	12,254	4,734
New Jersey	Y	10,398	5,326
New Hampshire	Y	7,105	3,368
<b>California</b>	<b>N</b>	<b>5,884</b>	<b>2,565</b>
Nat'l Average	-	5,799	2,613
*Figures represent real dollars			

### THE HIGH COST OF GUARANTEE ISSUE

Massachusetts, New York and New Jersey guarantee issuance of health coverage for anyone who would like to purchase a policy and they do not require consumers to consistently maintain coverage. This gives rise to adverse selection. That is, consumers in these states have an incentive to purchase insurance only when they expect to need medical services and can drop coverage when they are well. Without enough healthy consumers also paying for coverage, the medical costs are not spread broadly.<sup>3</sup> This drives up premiums for those who do carry coverage. California, with the largest individual enrollment and low cost options, does not impose a guarantee issue requirement on its competitive individual market. This is a sharp contrast to those states with guarantee issue which have lower individual plan enrollment and substantially higher prices for coverage.

<sup>1</sup> Employee Benefit Research Institute analysis of the U.S. Census Bureau's March 2007 Current Population Survey. Found at: <http://www.ebri.org>

<sup>2</sup> America's Health Insurance Plans (2007), "Individual Health Insurance 2006-07: A Comprehensive Survey of Premiums, Availability, and Benefits", Found at: <http://www.ahip.org/>

<sup>3</sup> Buntin, Marquis and Yegian (2004) "The Role of the Individual Health Insurance Market and Prospects for Change", Health Affairs, Volume 23, Number 6, p 79

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The California Association of Health Plans (CAHP) is a statewide trade association representing 40 full-service health care plans. Through legislative advocacy, education, and collaboration with other member organizations, CAHP works to sustain a strong environment in which our member plans can provide access to products that offer choice and flexibility to the more than 21 million Californians they serve.