



# ISSUE BRIEF

## California's Competitive Individual Insurance Market

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### 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 considerably 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.”*

Charles Bacchi  
Interim President & CEO,  
California Association of  
Health Plans

### Robust Enrollment and Fair Prices

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 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 March 2008 Current Population Survey (CPS)<sup>1</sup> data, California enjoys the largest individual plan enrollment of all states and has more than double the number of enrollees than any other state.

### California Prices Significantly Lower Than States with Guarantee Issue

Annual Premium Costs in States with Guarantee Issue

State	GI	Family Policy	Single Policy
California	N	\$5,884	\$2,565
Maine	Y	\$6,951	\$3,686
Massachusetts	Y	\$16,987	\$8,537
New Jersey	Y	\$10,398	\$5,326
New York	Y	\$12,254	\$4,734

### The High Cost of Guarantee Issue

Maine, 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 utilize 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>4</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 in sharp contrast to those states with guarantee issue which have lower individual plan enrollment and substantially higher prices for coverage.

### States with Most Individual Market Enrollees

State	Enrollees (millions)
<b>Total US</b>	<b>17.8</b>
<b>California</b>	<b>2.8</b>
Texas	1.2
Florida	1.1
New York	0.9
Pennsylvania	0.8
Illinois	0.7
Ohio	0.6
Michigan	0.5
North Carolina	0.5
Massachusetts	0.4

### SOURCES

<sup>1</sup> Employee Benefit Research Institute analysis of the U.S. Census Bureau's March 2008 Current Population Survey. [www.ebri.org/pdf/briefspdf/EBRI\\_IB\\_09a-2008.pdf](http://www.ebri.org/pdf/briefspdf/EBRI_IB_09a-2008.pdf). Accessed 22 April 2009.

<sup>2</sup> America's Health Insurance Plans. "Individual Health Insurance 2006-07: A Comprehensive Survey of Premiums, Availability, and Benefits." [www.ahipresearch.org/pdfs/Individual\\_Market\\_Survey\\_December\\_2007.pdf](http://www.ahipresearch.org/pdfs/Individual_Market_Survey_December_2007.pdf). Accessed 22 April 2009.

<sup>3</sup> States with individual market guarantee issue as of December 2008 are available through [statehealthfacts.org](http://statehealthfacts.org) from the Kaiser Family Foundation. Vermont is the fourth state with guarantee issue requirements for all individuals, however, no premium data was available for the state through citation 2.

<sup>4</sup> Buntin MB, Marquis MS, Yegian JM. "The Role of the Individual Health Insurance Market and Prospects for Change." *Health Affairs*. 2004 Nov-Dec;23(6):79-90.

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