

Methods Appendix

This study developed “risk scores” that measure the overall health status of a state’s small-group market in terms of how expected costs compare with an average population. Using [federal data](#) that measures health risk based on diagnoses and claims that each insurer reports for recent subscribers, we created a measure of the marketwide risk score each year in each of 48 states’ small-group markets,¹ adjusted for the average actuarial value of health plans in each state. Information about self-insured groups was obtained from the [Employee Benefit Research Institute](#) based on analysis of Medical Expenditure Panel Survey (MEPS) data. Transitional enrollment was measured from health plans’ annual rate filings to the Center for Consumer Information & Insurance Oversight (CCIIO).

We grouped states according to whether the percentage of their small-group markets covered by self-insured or transitional plans was below or above 10 percent.² Because of data limitations and reporting anomalies, we chose somewhat different target years for each measure. For transitional plans, we calculated the average enrollment (rather than firms) over the 2015–2017 span. We classified a state as having few or no transitional small-group plans if either the state prohibited such plans beginning in 2015 or if actual enrollment in transitional plans averaged less than 10 percent.

We calculated the change in each state’s small-group risk score from 2015–2019, and then calculated the median risk score change in each group of states described by these two regulatory factors.

¹ We excluded the District of Columbia, Massachusetts, and Vermont because they have merged the individual and small-group markets.

² The percentage of self-insured firms was measured for 2018 based on firms with fewer than 100 (rather than 50) full-time employees.