The Impact of MEWA Large Group Policies on the California Small Employer Health Insurance Market

California Department of Insurance

Insurance Code section 10753.05(b)(8)(C)(iii)(I)

Assembly Bill 2072 (Weber, Ch. 374, Stats. 2024)

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I – Executive Summary

As required by Assembly Bill 2072 (Weber, Ch. 374, Stats. 2024), this report evaluates impacts on the small employer health insurance market in California of health insurers currently issuing large group health insurance policies to small employers through fully-insured Multiple Employer Welfare Arrangements (MEWAs) operating under the jurisdiction of the California Department of Insurance (CDI) (CIC section 10753.05(b)(8)(C)(iii)(I)).

The Department of Managed Health Care (DMHC) regulates the vast majority of the small employer health insurance market. Based on membership information obtained in the most recent filings, CDI represents less than 1% of the California total market share.

DMHC and CDI are conducting separate analyses of their own regulated market.

Given the very small CDI share of the California small group market, and the assumptions inherent in our analysis, CDI would recommend reviewing our findings in the context of DMHC's study before drawing any definitive conclusions.

II – Baseline Comparison

Incurred claims were reviewed as an approximation of underlying morbidity. We compared small employers purchasing fully insured large group coverage through an authorized MEWA to the general small group market over the same time period, calendar year 2025.

When experience of the study period was unavailable, we adjusted the latest experience period available to the study period by applying an appropriate claims trend assumption.

	Fully Insured CDI Regulated MEWA Small Group Block	CDI Small Employer Pool
Member Months	88,500	184,000
Average Incurred Claims Per Member Per Month (PMPM)	$608	$715

III – Market Impact Analysis

To measure potential market destabilization, we modeled the financial impact of migrating the MEWA small groups back into the standard small employer risk pool.

Combining the MEWA block (88,500 member months) with the standard CDI pool (184,000 member months) creates a consolidated pool of 272,500 member months. If the MEWA population migrated exclusively into CDI small group pool, average incurred claims for the combined block would decrease to $680 PMPM—a 4.9% reduction from the CDI's small group pool's current baseline.

While this suggests a measurable shift within the isolated CDI small group pool, the statewide impact is negligible. CDI's small employer pool represents less than one percent of the California small group market, the statewide impact due to the CDI block alone constitutes a fraction of a percent on incurred claims.

Therefore, based on this analysis alone, the practice of health insurers regulated by CDI issuing large group MEWA policies to small employers currently has no material destabilizing effect on the overall California small employer health market.

IV – Methodological Assumptions and Data Limitations

Because we used incurred claims collected from various CDI regulated carriers in our analysis, we relied on the following major assumptions between the CDI fully insured MEWAs that include small groups and the CDI small group market:

1. Similar demographics – including age and gender distributions.

2. Similar benefit richness, including member cost sharing, covered services and exclusions.

3. Similar provider network geographic access and provider reimbursement levels.

4. Similar geographic distribution, as health care costs can differ significantly across various California regions.

5. Similar utilization patterns - note that utilization can sometimes be driven by benefit designs instead of morbidity.

6. Similar Rx formulary arrangements and specialty drug prevalence.

Data Collection Constraints: Multiple carriers indicated that their systems do not automatically track the underlying size of each participating employer within MEWA plans. To account for this, Anthem's MEWA data was approximated by filtering for sub-groups with 100 or fewer subscribers. Aetna was not able to provide complete data due to data limitations. Consequently, Aetna's CDI regulated MEWA experience was not included in the analysis. This omission is not expected to materially impact the analysis.