

MARTIN O'MALLEY
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Lt. Governor



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Commissioner

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November 22, 2011

The Honorable Thomas M. Middleton
Chairman
Senate Finance Committee
Miller Senate Office Building, 3 East Wing
11 Bladen St.
Annapolis, MD 21401

The Honorable Peter A. Hammen
Chairman
Health & Government Operations
Committee
House Office Building, Room 241
6 Bladen St.
Annapolis, MD. 21401

Dear Chairman Middleton and Chairman Hammen:

As required under §15-133 of the Insurance Article, the Maryland Insurance Administration ("MIA") submits the information below regarding the estimated number of insured and self-insured contracts for health benefit plans in the State and the number of insured and self-insured lives under the age of 65 enrolled in health benefit plans in the State. This information is summarized in attached Tables 1, 2, 3, and 4.

Background Information

The MIA requires insurers, nonprofit health service plans, health maintenance organizations, managed care organizations, and third-party administrators to report the number of lives and contracts for health benefit plans for those under the age of 65 as of a specified date.¹ "Health benefit plans" include policies for hospital or medical benefits. They do not include such coverage as accident-only insurance, fixed indemnity insurance, credit health insurance, Medicare supplemental policies, CHAMPUS, long-term care insurance, disability insurance, specified disease insurance, automobile medical payment insurance, dental insurance, or vision insurance.

¹ The survey instrument used is available on the MIA's website at www.mdinsurance.state.md.us under "Company Filing Requirements." The data are self-reported and unaudited.

There are two types of health benefit plans comprising the commercial market: insured health benefit plans and other employment-based health benefit plans. Insured health benefit plans include group insured health benefit plans and individual insured health benefit plans. With the exception of group insured health benefit plans issued to out-of-state associations, insured health benefit plans are regulated by the MIA and subject to Maryland law.²

Other employment-based health benefit plans include group self-insured health benefit plans and the Federal Employees Health Benefit Plan (FEHBP). These health benefit plans are not regulated by the MIA and, for the most part, are not subject to Maryland law.

In the health insurance business, the covered life (member) is the fundamental unit of measurement. Trends regarding number of contracts generally track those regarding numbers of covered lives.

Observations

Table 1: Covered Lives by Type of Health Benefit Plan under Age 65

In 2011, over 3.45 million Maryland residents under the age of 65 had health insurance through a commercial health benefit plan. The market for all commercial health benefit plans decreased by 5.5% between 2010 and 2011. Historical data going back to 2007 is included for reference.

Between 2010 and 2011, the number of lives covered in the group insured market increased by 3.5%, and the number of lives covered by the individual insured market decreased by 6.4%. The number of covered lives for all insured health benefit plans showed a slight increase from 2010 to 2011 of 2.2%.

In 2011, the covered lives for group self-insured and for FEHBP decreased by 6.7% and 17.0% respectively. The total number of covered lives in other employment-based health benefit plans decreased by 9.4%. Note that the bulk of this decrease resulted from a change in the reporting of FEHBP members; certain carriers who reported FEHBP members whose employer had headquarters in DC as Maryland members last year did not report these members as Maryland members this year.

² The amendment to 45 CFR part 154 published by HHS on September 6, 2011 includes individual and small group association business in the definitions of the individual and small group market for purposes of rate review. HHS deemed the MIA to have an Effective Rate Review Program for association business on October 19, 2011. As of November 1, 2011, the MIA has prior approval authority for association plan proposed premium rate increases that are subject to review, which under current HHS regulations are proposed premium rate increase of 10 percent or more.

Table 2: Covered Lives by Type of Health Benefit Plan as a Percent of the Population under age 65

Overall, the percentage of the population under the age of 65 covered by an insured health benefit plan or other employment-based health benefit plan declined from 73.1% in 2010 to 68.3% in 2011.

The percentage of the population under the age of 65 with insured health benefit plans increased slightly from 24.5% in 2010 to 24.7% in 2011.

The percentage of the population under the age of 65 with other employment based health benefit plans decreased from 48.6% in 2010 to 43.5% in 2011. Again, the bulk of this decrease resulted from the change in the reporting of FEHBP members.

Table 3: Covered Lives by Type of Health Benefit Plan as a Percent of Total Commercial Health Benefit Plans

The percentage of all those with health insurance through a commercial health benefit plan covered by an insured health benefit plan grew from 33.5% in 2010 to 36.2% in 2011.

The percentage of all those with health insurance through a commercial health benefit plan in other employment based health plans decreased from 66.5% in 2010 to 63.8% in 2011.

Table 4: Contracts and Covered Lives by Type of Health Benefit Plan, 2011

Group insured health benefit plans with an average contract size of 2.4 covered lives, have fewer lives per contract than other employment based health benefit plans, with an average contract size of 3.7 covered lives.

Conclusion

As of 2011, the MIA regulates and Maryland state law applies to about 25% of the population under the age of 65, and 36% of all covered lives with commercial health benefit plans.

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If you have any questions or concerns, please feel free to contact me at 410-468-2090 or by e-mail at tgoldsmith@mdinsurance.state.md.us.

Sincerely,



Therese M. Goldsmith
Insurance Commissioner

cc: Patrick Carlson, Committee Staff, Senate Finance Committee
Linda Stahr, Committee Staff, House Health and Government Operations Committee
Sarah T. Albert, Library Associate, Department of Legislative Services (5 copies)

**Table 1: Covered Lives by Type of Health Benefit Plan
under Age 65**

	2007	2008	2009	2010	2011	% Change 2007- 2011	% Change 2010- 2011
Group Insured	1,159,367	1,080,907	1,074,293	1,061,114	1,098,577	-5.2%	3.5%
Individual	176,320	171,860	169,629	165,238	154,632	-12.3%	-6.4%
All insured health benefit plans	1,335,687	1,252,767	1,243,922	1,226,352	1,253,209	-6.2%	2.2%
Group self-insured	1,697,098	1,744,373	1,796,430	1,814,557	1,692,196	-0.3%	-6.7%
FEHBP	550,807	593,469	593,325	617,296	512,169	-7.0%	-17.0%
All other employment-based health benefits	2,247,905	2,337,842	2,389,755	2,431,853	2,204,365	-1.9%	-9.4%
Total all commercial health benefit plans	3,583,592	3,590,609	3,633,677	3,658,205	3,457,574	-3.5%	-5.5%

**Table 2: Covered Lives by Type of Health Benefit Plan
As a Percent of Population under Age 65**

	2007	2008	2009	2010	2011
Group Insured	23.4%	21.8%	21.7%	21.2%	21.7%
Individual	3.6%	3.5%	3.4%	3.3%	3.1%
All insured health benefit plans	26.9%	25.3%	25.1%	24.5%	24.7%
Group self-insured	34.2%	35.2%	36.3%	36.3%	33.4%
FEHBP	11.1%	12.0%	12.0%	12.3%	10.1%
All other employment-based health benefits	45.4%	47.2%	48.3%	48.6%	43.5%
Total all commercial health benefit plans	72.3%	72.5%	73.4%	73.1%	68.3%

**Table 3: Covered Lives by Type of Health Benefit Plan
as a Percent of Total Commercial Health Benefit Plans**

	2007	2008	2009	2010	2011
Group Insured	32.4%	30.1%	29.6%	29.0%	31.8%
Individual	4.9%	4.8%	4.7%	4.5%	4.5%
All insured health benefit plans	37.3%	34.9%	34.2%	33.5%	36.2%
Group self-insured	47.4%	48.6%	49.4%	49.6%	48.9%
FEHBP	15.4%	16.5%	16.3%	16.9%	14.8%
All other employment-based health benefits	62.7%	65.1%	65.8%	66.5%	63.8%

Table 4: Contracts and Covered Lives by Type of Health Benefit Plan, 2011

	Contracts	Covered Lives	Covered Lives Per Contract
Group Insured	448,534	1,098,577	2.4
Individual	90,960	154,632	1.7
All insured health benefit plans	539,494	1,253,209	2.3
Group self-insured	398,803	1,692,196	4.2
FEHBP	204,867	512,169	2.5
All other employment-based health benefits	603,670	2,204,365	3.7