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Lt. Governor



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November 12, 2013

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 the attached Tables 1 through 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.<sup>1</sup> “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, coverage issued as a supplement to liability insurance, workers’ compensation, specified disease insurance, automobile medical payment insurance, dental insurance, or vision insurance.

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<sup>1</sup> The survey instrument used is available on the MIA’s website at [www.mdinsurance.state.md.us](http://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. Insured health benefit plans are regulated by the MIA and subject to Maryland law. 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 industry, 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 2013, approximately 2.83 million Maryland residents under the age of 65 had health insurance through a commercial health benefit plan, representing a reduction of approximately 1.8% in total covered lives as compared with 2012.<sup>2</sup> The number of covered lives in the individual insured market increased from 140,505 to 148,465, or approximately 5.7%, while the number of covered lives in the group insured market held steady at approximately 900,000 lives. The reduction in total covered lives is attributable to a reduction in lives covered under other employment-based health benefit plans. Specifically, covered lives for group self-insured plans decreased by 68,147 lives, or approximately 4.6%.

*Table 2: Covered Lives by Type of Health Benefit Plan as a Percent of 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 56.5% to 55.2% between 2012 and 2013. The percentage of the population under the age of 65 with insured health benefit plans increased slightly from 20.4% in 2012 to 20.5% in 2013, while the percentage of the population under the age of 65 with other employment-based health benefit plans decreased from 36.1% in 2012 to 34.7% in 2013.

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<sup>2</sup> In preparation for the 2013 covered lives report, three companies discovered that they had made certain errors in their 2012 reports, resulting in a combined overstatement of covered lives by approximately 440,000 and a combined overstatement of contracts by approximately 30,500. All 2012 figures in this report are provided on a restated basis, in order to accurately compare year-over-year changes in the number of covered lives and contracts.

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*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 increased from 36.1% in 2012 to 37.1% in 2013. The percentage of all those with health insurance through a commercial health benefit plan in other employment-based health benefit plans decreased from 63.9% in 2012 to 62.9% in 2013.

*Table 4: Contracts and Covered Lives by Type of Health Benefit Plan, 2013*

Group insured health benefit plans, with an average of 2.3 covered lives per contract, had more covered lives per contract than other employment-based health benefit plans, which had an average of 2.0 covered lives per contract.

**Conclusion**

As of 2013, the MIA regulates and Maryland state law applies to commercial health benefit plans for approximately 21% of the population under the age of 65, and for approximately 37% of all covered lives.

If you have any questions or concerns regarding the content of this report, please feel free to contact me at 410-468-2090 or by e-mail at [therese.goldsmith@maryland.gov](mailto:therese.goldsmith@maryland.gov).

Very truly yours,



Therese M. Goldsmith  
Insurance Commissioner

Attachments

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)

	2009	2010	2011	2012 Restated	2013	% Change 2009-2013	% Change 2012-2013
<b>Group Insured</b>	1,074,293	1,061,114	1,098,577	897,841	899,953	n/a	+0.2%
<b>Individual</b>	169,629	165,238	154,632	140,505	148,465	n/a	+5.7%
<b>All insured health benefit plans</b>	1,243,922	1,226,352	1,253,209	1,038,346	1,048,418	n/a	+1.0%
<b>Group self-insured</b>	1,796,430	1,814,557	1,692,196	1,472,532	1,404,385	n/a	-4.6%
<b>FEHBP</b>	593,325	617,296	512,169	368,859	374,987	n/a	+1.7%
<b>All other employment-based health benefits</b>	2,389,755	2,431,853	2,204,365	1,841,391	1,779,372	n/a	-3.4%
<b>Total all commercial health benefit plans</b>	3,633,677	3,658,205	3,457,574	2,879,737	2,827,790	n/a	-1.8%

	2009	2010	2011	2012 Restated	2013
<b>Group Insured</b>	21.7%	21.2%	21.7%	17.6%	17.6%
<b>Individual</b>	3.4%	3.3%	3.1%	2.8%	2.9%
<b>All insured health benefit plans</b>	25.1%	24.5%	24.7%	20.4%	20.5%
<b>Group self-insured</b>	36.3%	36.3%	33.4%	28.9%	27.4%
<b>FEHBP</b>	12.0%	12.3%	10.1%	7.2%	7.3%
<b>All other employment-based health benefits</b>	48.3%	48.6%	43.5%	36.1%	34.7%
<b>Total all commercial health benefit plans</b>	73.4%	73.1%	68.3%	56.5%	55.2%

	2009	2010	2011	2012 Restated	2013
<b>Group Insured</b>	29.6%	29.0%	31.8%	31.2%	31.8%
<b>Individual</b>	4.7%	4.5%	4.5%	4.9%	5.3%
<b>All insured health benefit plans</b>	34.2%	33.5%	36.2%	36.1%	37.1%
<b>Group self-insured</b>	49.4%	49.6%	48.9%	51.1%	49.7%
<b>FEHBP</b>	16.3%	16.9%	14.8%	12.8%	13.3%
<b>All other employment-based health benefits</b>	65.8%	66.5%	63.8%	63.9%	62.9%

**Table 4: Contracts and Covered Lives by Type of Health Benefit Plan, 2013**

	<b>Contracts</b>	<b>Covered Lives</b>	<b>Covered Lives Per Contract</b>
<b>Group Insured</b>	399,668	899,953	2.3
<b>Individual</b>	88,506	148,465	1.7
<b>All insured health benefit plans</b>	488,174	1,048,418	2.1
<b>Group self-insured</b>	678,222	1,404,385	2.1
<b>FEHBP</b>	231,051	374,987	1.6
<b>All other employment-based health benefits</b>	909,273	1,779,372	2.0