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Governor

BOYD K. RUTHERFORD  
Lt. Governor



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November 3, 2015

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

In Re: MSAR Report # 7797

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>

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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.

“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.

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 2015, approximately 2.9 million Maryland residents under the age of 65 had health insurance through a commercial health benefit plan, representing a decrease of approximately 1.2% in total covered lives as compared with 2014<sup>2</sup>. The number of covered lives is composed of 1.05 million lives in insured health benefit plans and 1.85 million in all other employment-based health benefit plans.

The number of covered lives in the group insured market decreased from 854,887 to 757,667, a decrease of 97,220 covered lives, or approximately 11.4%. The individual insured market increased from 212,613 to 288,411, an increase of 75,798 covered lives, or approximately 35.7%. The overall number of covered lives in insured health benefit plans decreased from approximately 1.07 million covered lives in 2014 to approximately 1.05 million covered lives in 2015, a decrease of 2.0%.

The number of covered lives in the group self-insured market decreased from approximately 1.42 million to approximately 1.40 million covered lives, a decrease of 15,963 covered lives, or approximately 1.1%. The number of covered lives in the FEHBP market remained approximately the same from 2014 to 2015 at approximately 450,000 covered lives. The overall number of covered lives in other employment-based health benefit plans decreased from approximately 1.87 million lives in 2014 to approximately 1.85 million covered lives in 2015, a decrease of 0.8%.

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<sup>2</sup> In reviewing the data for 2015 we discovered that companies were not interpreting §15-133 of the Insurance Article consistently. Some companies were using employer situs to report covered lives, and other companies were reporting covered lives based on the member’s residential address. When requested to use employer situs, four companies restated their 2014 covered lives data resulting in a combined increase of 34,008 covered lives for 2014.

*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 decreased from 57.2% to 56.3% between 2014 and 2015. The percentage of the population under the age of 65 with insured health benefit plans decreased from 20.8% in 2014 to 20.3% in 2015.

*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 decreased from 36.4% in 2014 to 36.0% in 2015. The percentage of all those with health insurance through a commercial health benefit plan in other employment-based health benefit plans increased from 63.6% in 2014 to 64.0% in 2015.

*Table 4: Contracts and Covered Lives by Type of Health Benefit Plan, 2015*

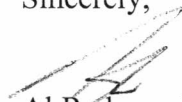
Group insured health benefit plans, with an average of 2.0 covered lives per contract, had approximately the same number of covered lives per contract as Group self-insured plans with 2.1 covered lives per contract. The overall covered lives per contract for all insured health benefit plans was 1.8, compared to an average of 2.0 for all other employment-based health benefit plans.

## **Conclusion**

As of 2015, the MIA regulates and Maryland state law applies to commercial health benefit plans for approximately 20.3% of the population under the age of 65, and for approximately 36.0% 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 [al.redmer@maryland.gov](mailto:al.redmer@maryland.gov).

Sincerely,



Al Redmer, Jr.  
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**

	2011	2012	2013	2014 Restated	2015	% Change 2011- 2015	% Change 2014- 2015
<b>Group Insured</b>	1,098,577	897,841	882,922	854,887	757,667	n/a	-11.4%
<b>Individual</b>	154,632	140,505	143,378	212,613	288,411	n/a	+35.7%
<b>All insured health benefit plans</b>	1,253,209	1,038,346	1,026,300	1,067,500	1,046,078	n/a	-2.0%
<b>Group self-insured</b>	1,692,196	1,472,532	1,417,382	1,417,987	1,402,024	n/a	-1.1%
<b>FEHBP</b>	512,169	368,859	425,411	449,807	451,326	n/a	+0.3%
<b>All other employment-based health benefits</b>	2,204,365	1,841,391	1,842,793	1,867,794	1,853,350	n/a	-0.8%
<b>Total all commercial health benefit plans</b>	3,457,574	2,879,737	2,869,093	2,935,294	2,899,428	n/a	-1.2%

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

	2011	2012	2013	2014 Restated	2015
<b>Group Insured</b>	21.7%	17.6%	17.2%	16.7%	14.7%
<b>Individual</b>	3.1%	2.8%	2.8%	4.1%	5.6%
<b>All insured health benefit plans</b>	24.7%	20.4%	20.0%	20.8%	20.3%
<b>Group self-insured</b>	33.4%	28.9%	27.7%	27.6%	27.2%
<b>FEHBP</b>	10.1%	7.2%	8.3%	8.8%	8.8%
<b>All other employment-based health benefits</b>	43.5%	36.1%	36.0%	36.4%	36.0%
<b>Total all commercial health benefit plans</b>	68.2%	56.5%	56.0%	57.2%	56.3%

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

	2011	2012	2013	2014 Restated	2015
<b>Group Insured</b>	31.8%	31.2%	30.8%	29.1%	26.1%
<b>Individual</b>	4.5%	4.9%	5.0%	7.2%	9.9%
<b>All insured health benefit plans</b>	36.3%	36.1%	35.8%	36.4%	36.0%
<b>Group self-insured</b>	48.9%	51.1%	49.4%	48.3%	48.4%
<b>FEHBP</b>	14.8%	12.8%	14.8%	15.3%	15.6%
<b>All other employment-based health benefits</b>	63.7%	63.9%	64.2%	63.6%	64.0%