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November 5, 2014

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.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, coverage issued as a supplement to liability insurance, workers’ compensation, 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. 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.²

Observations

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

In 2014, approximately 2.90 million Maryland residents under the age of 65 had health insurance through a commercial health benefit plan, representing an increase of approximately 1.1% in total covered lives as compared with 2013.³ The number of covered lives in the individual insured market increased from 143,378 to 212,474, an increase of 69,096 covered lives, or approximately 48.2%. The number of covered lives in the group insured market decreased from 882,922 to 841,381, a decrease of 41,541 covered lives, or approximately 4.7%. The overall number of covered lives in insured health benefit plans increased from approximately 1.03 million covered lives in 2013 to approximately 1.05 million covered lives in 2014, an increase of 2.7%. The number of covered lives in the group self-insured market decreased from approximately 1.417 million to approximately 1.413 million covered lives, a decrease of 4,113 covered lives, or approximately 0.3%. The number of covered lives in the FEHBP market increased from 425,411 to 434,162, an increase of 8,751 covered lives, or approximately 2.1%. The overall number of covered lives in other employment-based health benefit plans increased from approximately 1.842 million lives in 2013 to approximately 1.847 million covered lives in 2014, an increase of 0.3%.

² In reviewing the data for 2014 we discovered that companies were not interpreting §15-133 of the Insurance Article consistently in the group market. Some companies were using employer situs to report covered lives, and other companies were reporting covered lives based on the member's residential address. In future years, we intend to require all companies to report covered lives based on employer situs for purposes of the Covered Lives Report.

³ In preparation for the 2014 covered lives report, five companies discovered they had made certain errors in their 2013 reports, resulting in a combined overstatement of covered lives by 41,303 and a combined overstatement of contracts by 23,701. All 2013 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 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 increased from 56.0% to 56.5% between 2013 and 2014. The percentage of the population under the age of 65 with insured health benefit plans increased from 20.0% in 2013 to 20.5% in 2014, while the percentage of the population under the age of 65 with other employment-based health benefit plans remained constant at 36.0% for both 2013 and 2014.

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 35.8% in 2013 to 36.3% in 2014. The percentage of all those with health insurance through a commercial health benefit plan in other employment-based health benefit plans decreased from 64.2% in 2013 to 63.7% in 2014.

Table 4: Contracts and Covered Lives by Type of Health Benefit Plan, 2014

Group insured health benefit plans, with an average of 2.2 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 2014, the MIA regulates and Maryland state law applies to commercial health benefit plans for approximately 20.5% of the population under the age of 65, and for approximately 36.3% 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.

Very truly yours,
Signature on original

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)

	2010	2011	2012 Restated	2013 Restated	2014	% Change 2010-2014	% Change 2013-2014
Group Insured	1,061,114	1,098,577	897,841	882,922	841,381	n/a	-4.7%
Individual	165,238	154,632	140,505	143,378	212,474	n/a	+48.2%
All insured health benefit plans	1,226,352	1,253,209	1,038,346	1,026,300	1,053,855	n/a	+2.7%
Group self-insured	1,814,557	1,692,196	1,472,532	1,417,382	1,413,269	n/a	-0.3%
FEHBP	617,296	512,169	368,859	425,411	434,162	n/a	+2.1%
All other employment-based health benefits	2,431,853	2,204,365	1,841,391	1,842,793	1,847,431	n/a	+0.3%
Total all commercial health benefit plans	3,658,205	3,457,574	2,879,737	2,869,093	2,901,286	n/a	+1.1%

	2010	2011	2012 Restated	2013 Restated	2014
Group Insured	21.2%	21.7%	17.6%	17.2%	16.4%
Individual	3.3%	3.1%	2.8%	2.8%	4.1%
All insured health benefit plans	24.5%	24.7%	20.4%	20.0%	20.5%
Group self-insured	36.3%	33.4%	28.9%	27.7%	27.5%
FEHBP	12.3%	10.1%	7.2%	8.3%	8.5%
All other employment-based health benefits	48.6%	43.5%	36.1%	36.0%	36.0%
Total all commercial health benefit plans	73.1%	68.2%	56.5%	56.0%	56.5%

	2010	2011	2012 Restated	2013 Restated	2014
Group Insured	29.0%	31.8%	31.2%	30.8%	29.0%
Individual	4.5%	4.5%	4.9%	5.0%	7.3%
All insured health benefit plans	33.5%	36.3%	36.1%	35.8%	36.3%
Group self-insured	49.6%	48.9%	51.1%	49.4%	48.7%
FEHBP	16.9%	14.8%	12.8%	14.8%	15.0%
All other employment-based health benefits	66.5%	63.7%	63.9%	64.2%	63.7%

Table 4: Contracts and Covered Lives by Type of Health Benefit Plan, 2014

	Contracts	Covered Lives	Covered Lives Per Contract
Group Insured	382,276	841,381	2.2
Individual	135,825	212,474	1.6
All insured health benefit plans	518,101	1,053,855	2.0
Group self-insured	677,890	1,413,269	2.1
FEHBP	252,638	434,162	1.7
All other employment-based health benefits	930,528	1,847,431	2.0