

MARTIN O'MALLEY
Governor

ANTHONY G. BROWN
Lt. Governor



THERESE M. GOLDSMITH
Commissioner

KAREN STAKEM HORNIG
Deputy Commissioner

200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202
Direct Dial: 410-468-2090 Fax: 410-468-2020
Email: tgoldsmith@mdinsurance.state.md.us
1-800-492-6116 TTY: 1-800-735-2258
www.mdinsurance.state.md.us

November 1, 2012

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.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.

Observations

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

In 2012, over 3.48 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 increased by 0.7% between 2011 and 2012. Historical data going back to 2008 is included for reference.

Between 2011 and 2012, the number of lives covered in the group insured market decreased by 0.5%, and the number of lives covered by the individual insured market decreased by 5.5%. The number of covered lives for the individual insured market has shown a steady decrease from 2008 to 2012 as seen by the 15.0% decrease over this time. The number of covered lives for all insured health benefit plans showed a decrease of 1.1% from 2011 to 2012.

In 2012, the covered lives for group self-insured and for FEHBP increased by 0.2% and 6.5% respectively. The total number of covered lives in other employment-based health benefit plans increased by 1.7%.

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 stayed steady from 2011 to 2012 at 68.3%.

The percentage of the population under the age of 65 with insured health benefit plans decreased slightly from 24.7% in 2011 to 24.3% in 2012.

The percentage of the population under the age of 65 with other employment-based health benefit plans increased from 43.5% in 2011 to 44.0% in 2012. This increase is a result of growth in FEHBP covered lives between 2011 and 2012 and a decrease in individual covered lives over the same time period.

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 declined from 36.2% in 2011 to 35.6% in 2012.

The percentage of all those with health insurance through a commercial health benefit plan in other employment-based health plans increased from 63.8% in 2011 to 64.4% in 2012.

Table 4: Contracts and Covered Lives by Type of Health Benefit Plan, 2012

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 2.7 covered lives.

Conclusion

As of 2012, the MIA regulates and Maryland state law applies to about 24% of the population under the age of 65, and 36% of all covered lives with commercial health benefit plans.

The Honorable Thomas M. Middleton
The Honorable Peter A. Hammen
November 1, 2012
Page 4

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.

Very truly yours,

signature on original

A solid black rectangular box redacting the signature of Therese M. Goldsmith.

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**

	2008	2009	2010	2011	2012	% Change 2008- 2012	% Change 2011- 2012
Group Insured	1,080,907	1,074,293	1,061,114	1,098,577	1,092,977	1.1%	-0.5%
Individual	171,860	169,629	165,238	154,632	146,078	-15.0%	-5.5%
All insured health benefit plans	1,252,767	1,243,922	1,226,352	1,253,209	1,239,055	-1.1%	-1.1%
Group self-insured	1,744,373	1,796,430	1,814,557	1,692,196	1,696,190	-2.8%	0.2%
FEHBP	593,469	593,325	617,296	512,169	545,712	-8.0%	6.5%
All other employment-based health benefits	2,337,842	2,389,755	2,431,853	2,204,365	2,241,902	-4.1%	1.7%
Total all commercial health benefit plans	3,590,609	3,633,677	3,658,205	3,457,574	3,480,957	-3.1%	0.7%

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

	2008	2009	2010	2011	2012
Group Insured	21.8%	21.7%	21.2%	21.7%	21.4%
Individual	3.5%	3.4%	3.3%	3.1%	2.9%
All insured health benefit plans	25.3%	25.1%	24.5%	24.7%	24.3%
Group self-insured	35.2%	36.3%	36.3%	33.4%	33.3%
FEHBP	12.0%	12.0%	12.3%	10.1%	10.7%
All other employment-based health benefits	47.2%	48.3%	48.6%	43.5%	44.0%
Total all commercial health benefit plans	72.5%	73.4%	73.1%	68.3%	68.3%

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

	2008	2009	2010	2011	2012
Group Insured	30.1%	29.6%	29.0%	31.8%	31.4%
Individual	4.8%	4.7%	4.5%	4.5%	4.2%
All insured health benefit plans	34.9%	34.2%	33.5%	36.2%	35.6%
Group self-insured	48.6%	49.4%	49.6%	48.9%	48.7%
FEHBP	16.5%	16.3%	16.9%	14.8%	15.7%
All other employment-based health benefits	65.1%	65.8%	66.5%	63.8%	64.4%

Table 4: Contracts and Covered Lives by Type of Health Benefit Plan, 2012

	Contracts	Covered Lives	Covered Lives Per Contract
Group Insured	457,512	1,092,977	2.4
Individual	87,282	146,078	1.7
All insured health benefit plans	544,794	1,239,055	2.3
Group self-insured	619,386	1,696,190	2.7
FEHBP	210,881	545,712	2.6
All other employment-based health benefits	830,267	2,241,902	2.7