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Governor

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Lt. Governor



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## INSURANCE ADMINISTRATION

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November 29, 2010

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 and 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 distribution of lives in the commercial market for health benefit plans.<sup>1</sup> The findings are summarized in Tables 1, 2, 3, and 4.

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.

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 2010, over 3.65 million Maryland residents under the age of 65 had health insurance through a commercial health benefit plan. The commercial market for health benefit plans grew by about 3 percent between 2005 and 2010.

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<sup>1</sup> 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. The data is self-reported and unaudited.

Health benefit plans includes policies for hospital or medical benefits. It does not include such coverage as accident-only insurance, fixed indemnity insurance, credit health insurance, Medicare supplemental policies, CHAMPUS, long-term care insurance, disability insurance, disease specific insurance, automobile medical payment insurance, dental insurance, or vision insurance. The correspondence and the survey instrument used are available on the MIA's website at [www.mdinsurance.state.md.us](http://www.mdinsurance.state.md.us) under "Company Reporting Requirements".

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Covered lives in the commercial market for health benefit plans continue to shift from insured health benefit plans to other employment-based health benefit plans. The number of covered lives in insured health benefits decreased 14.7 percent from 2005 to 2010 while the number of covered lives in other employment-based health benefit plans increased 14.7 percent.

The percentage of the population under the age of 65 with insured health benefit plans declined from 29.1 percent in 2005 to 24.5 percent in 2010. Conversely, the percentage with other employment-based health benefit plans increased from 43.0 percent in 2005 to 48.6 percent in 2010.

Whereas 40.4 percent of all those with health insurance through a commercial health benefit plan were in an insured health benefit plan in 2005, this declined to 33.5 percent by 2010. Nearly 60 percent of those with health insurance through a commercial health benefit plan were in other employment-based health benefit plans in 2005, increasing to 66.5 percent in 2010.

Between 2009 and 2010, the number of lives covered in the individual market and the group insured market declined 1.2 percent and 2.6 percent respectively, resulting in an overall decrease in all insured health benefits of 1.4 percent. Conversely, the group self-insured and FEHBP grew 1 percent and 4 percent respectively during this same time period, resulting in an overall increase in all other employment-based health benefits of about 2 percent.

Group insured health benefit plans and FEHBP have fewer lives per contract than self insured (2.5 vs. 4.2).

In conclusion, as of 2010, the MIA regulates and Maryland state law applies to about one-quarter of the population under the age of 65 and one-third of all covered lives with commercial health benefit plans.

If you have any questions or concerns, please feel free to contact me at 410-468-2002 or by e-mail at [bsammis@mdinsurance.state.md.us](mailto:bsammis@mdinsurance.state.md.us).

Sincerely,



Beth Sammis  
Acting Insurance Commissioner

Enclosures

cc: Marie L. Grant, 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)

	2005	2006	2007	2008	2009	2010	% Change 2005-2010	% Change 2009-2010
<b>Group Insured</b>	1271774	1201923	1159367	1080907	1074293	1061114	-16.6%	-1.2%
<b>Individual</b>	166375	170047	176320	171860	169629	165238	-0.7%	-2.6%
<b>All insured health benefit plans</b>	1438149	1371970	1335687	1252767	1243922	1226352	-14.7%	-1.4%
<b>Group self-insured</b>	1584834	1695167	1697098	1744373	1796430	1814557	14.5%	1.0%
<b>FEHBP</b>	535714	551143	550807	593469	593325	617296	15.2%	4.0%
<b>All other employment-based health benefits</b>	2120548	2246310	2247905	2337842	2389755	2431853	14.7%	1.8%
<b>Total all commercial health benefit plans</b>	3558697	3618280	3583592	3590609	3633677	3658205	2.8%	0.7%

	2005	2006	2007	2008	2009	2010
<b>Group Insured</b>	25.8%	24.3%	23.4%	21.8%	21.7%	21.2%
<b>Individual</b>	3.4%	3.4%	3.6%	3.5%	3.4%	3.3%
<b>All insured health benefit plans</b>	29.1%	27.7%	26.9%	25.3%	25.1%	24.5%
<b>Group self-insured</b>	32.1%	34.2%	34.2%	35.2%	36.3%	36.3%
<b>FEHBP</b>	10.9%	11.1%	11.1%	12.0%	12.0%	12.3%
<b>All other employment-based health benefits</b>	43.0%	45.4%	45.4%	47.2%	48.3%	48.6%
<b>Total all commercial health benefit plans</b>	72.1%	73.1%	72.3%	72.5%	73.4%	73.1%

**Table 3: Covered Lives by Type of Health Benefit Plans**  
As a percent of total commercial health benefit plans

	2005	2006	2007	2008	2009	2010
<b>Group Insured</b>	35.7%	33.2%	32.4%	30.1%	29.6%	29.0%
<b>Individual</b>	4.7%	4.7%	4.9%	4.8%	4.7%	4.5%
<b>All insured health benefit plans</b>	40.4%	37.9%	37.3%	34.9%	34.2%	33.5%
<b>Group self-insured</b>	44.5%	46.9%	47.4%	48.6%	49.4%	49.6%
<b>FEHBP</b>	15.1%	15.2%	15.4%	16.5%	16.3%	16.9%
<b>All other employment-based health benefits</b>	59.6%	62.1%	62.7%	65.1%	65.8%	66.5%

**Table 4: Covered Lives and Contracts by Type of Health Benefit Plans, 2010**

	Contracts	Covered Lives	Covered Lives Per Contract
<b>Group Insured</b>	419758	1061114	2.5
<b>Individual</b>	165238	165238	1.0
<b>All insured health benefit plans</b>	584996	1226352	2.1
<b>Group self-insured</b>	430335	1814557	4.2
<b>FEHBP</b>	245640	617296	2.5
<b>All other employment-based health benefits</b>	675975	2431853	3.6