



Rhode Island Private Insurance Enrollment

April 2012

About this Report

This report examines the private health insurance industry serving Rhode Island employers. The Office of the Health Insurance Commissioner produces this report on a quarterly and annual basis in support of the office's mandate to ensure the solvency of health insurers, protect consumers, and monitor the stability of the health delivery system.

To inform this report, the Office collects enrollment data from the three largest commercial health insurers in the state. The data illuminate important trends in the size of the private market as a whole as well as its component markets.

These data reflect covered lives for Rhode Island residents (individual market) and employees of Rhode Island-based employers (small, large, and self-insured groups) between 2005 and 2011. Covered lives shown for each year represent enrollment as of December of that year.

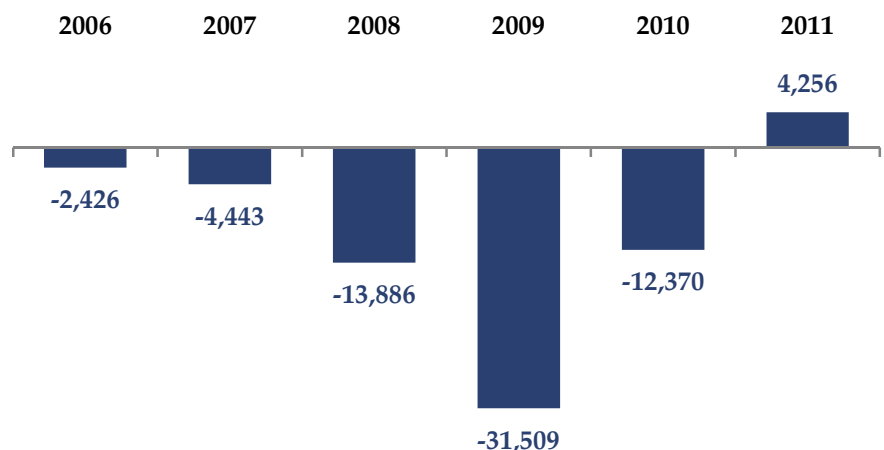
Privately Insured Population Rises Year-Over-Year

Growth in Self-insured Market Drive Increase

Between December 2010 and December 2011, enrollment in Rhode Island commercial insurance rose by 4,256 covered lives to 559,615.

Though small, this increase may indicate that the privately insured market is returning to its pre-recession strength. After losing more than thirty thousand covered lives in 2009 at the height of the economic crisis, the market cut its losses to 12,370 in 2010 and posted a gain in 2011. One of the main drivers of this growth was United Health Care's 13,722-person increase in its self-insured plans.

Annual Change in Privately Insured Covered Lives
as of December of each year



Over half (53%) of Rhode Islanders are covered by private insurance.

Medicare (17%), and Medicaid (16%) and other government programs (2%) cover most of the rest. Twelve percent, or 126,184 people, remain uninsured.

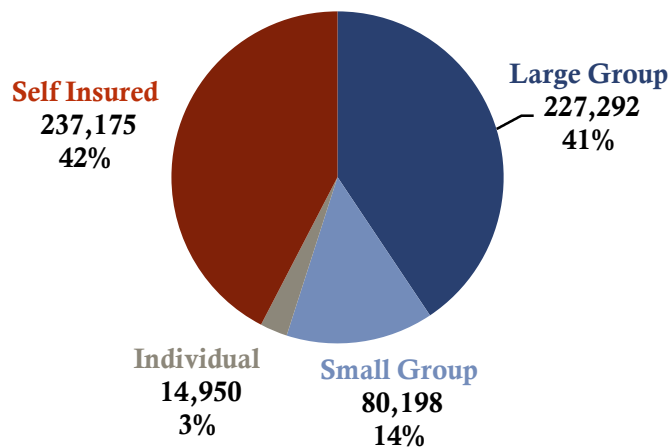
There are four main private insurance markets in Rhode Island: fully-insured large, small, and individual groups and self-insured groups. The self-insured and large group markets are nearly the same size at 42% and 41% of the market, respectively. Small group (14%) and individual subscribers (3%) represent the remainder.

Since 2005, the total privately insured population has fallen by 10%, driven by the decline in each of the fully-insured segments. Large group is down 23%, small group has fallen by 19% and the individual market – for which Blue Cross Blue Shield is the only carrier – dropped by 5%. Self-insured gains have mitigated the loss and contributed to this year’s 4,256-person increase.

Rhode Island Commercial Market, December 2011

Covered Lives & Percent of Total Market

559,615 Total Covered Lives

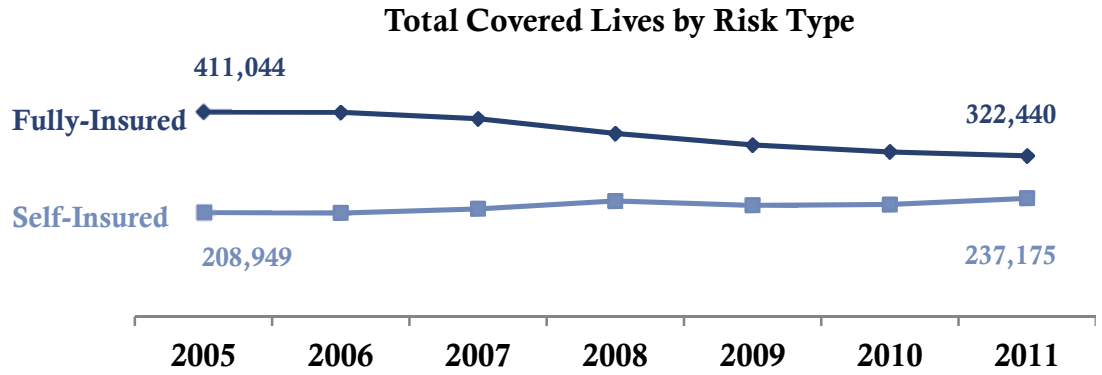


Key Terms

- 1 **Private, or commercial, insurance** includes all issuers of non-government plans. This report includes data from Blue Cross Blue Shield of RI, Tufts Health Plan, and United Healthcare.
- 2 **Covered lives** include all dependents and spouses covered by a member’s policy.
- 3 **Fully-insured plans:** the insurance company assumes the full risk of paying for all covered medical claims.
- 4 **Self-insured plans:** the insurance company acts only as an administrator. Groups, generally large companies, collect premiums from employees and assume the full risk of paying claims.
- 5 **Small Groups:** Those with 50 or fewer employees, including business groups of 1 (BG1)
Large Groups: Groups with more than 50 employees

Enrollment in self-insured plans continues to rise

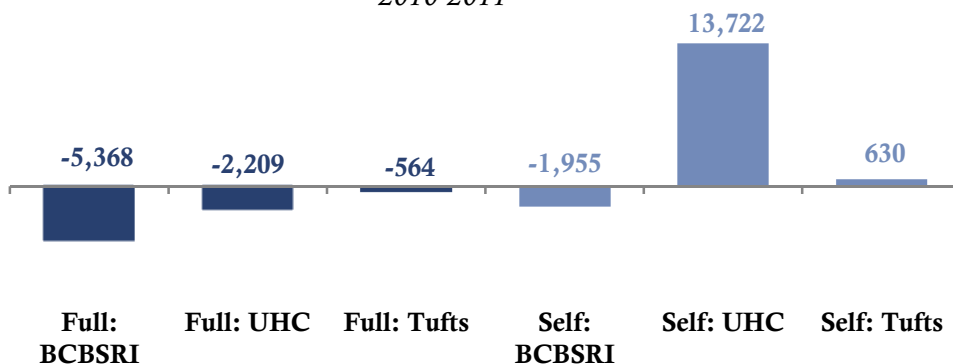
The market share of self-insured plans grew from 34% in 2005 to 42% in 2011



Self-insured groups – generally large employers – act as their own insurance companies. Rather than sending premiums to a company, such as Blue Cross Blue Shield, that will later pay employee medical claims and retain remaining contributions, these employers collect premiums themselves to pay future employee medical claims. In other words, these companies are *fully at-risk* for member health costs. Fully-insured employers, on the other hand, transfer that risk to the insurance company.

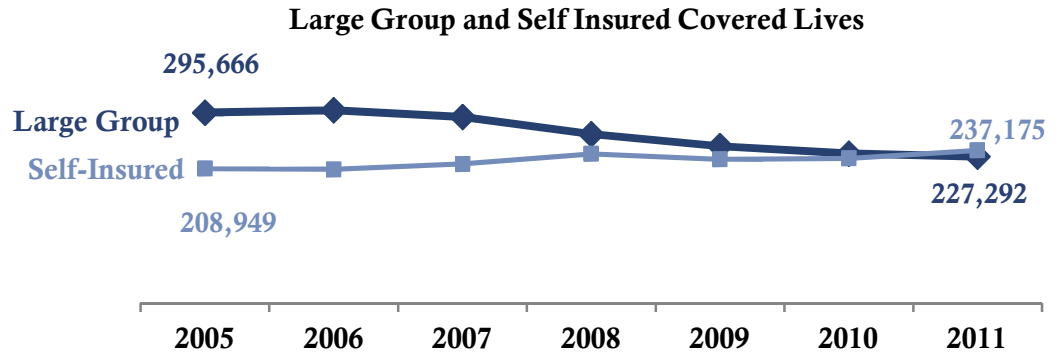
Employers may choose to self-insure for many reasons, primarily to reduce total company health care costs. By assuming the risk of employee claims, employers realize the full savings of their wellness, chronic disease management, and benefit design innovations. While many self-insured groups contract with companies known as *third-party administrators* (TPAs) to perform day-to-day operations, self-insured groups may still realize administrative savings. Finally, self-insured groups have more flexibility in designing their benefits as they are exempt from many state and federal laws, such as providing mandated health benefits and other ERISA provisions.

Change in Covered Lives by Plan, by Risk Type
2010-2011



The largest driver of growth from 2010 to 2011 was United Health Care's addition of 13,722 self-insured covered lives

Many new self-insured entrants are former fully-insured large groups



Self-insurance is not appropriate for all groups. It works best for large employers that can spread risk over more people, reducing claim volatility and stabilizing the reserve pool these companies maintain. For example, a 5,000-employee self-insured organization will withstand an extraordinarily high cost claim that may wipe out the reserve fund of a 10-member self-insured group.

For this reason, the trend in large group covered lives often mirrors the trend in self-insured covered lives.

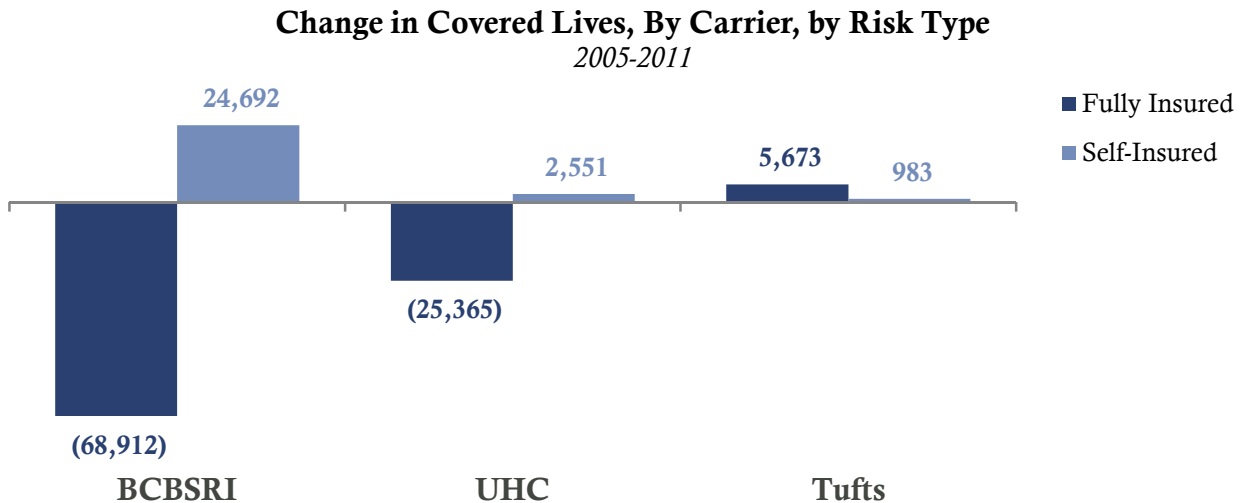
Though Rhode Island's carriers *in aggregate* notched significant losses in the fully-insured market, Tufts Health Plan, a new entrant, posted significant gains for both risk types. Since 2005, its self-insured covered lives grew by 28% (983 lives) and its fully-insured lives grew by 110% (5,673 lives).

Large Group Change:
-68,374

Self-Insured Change:
28,226

Covered Lives, 2005-2011

Since 2005, Blue Cross has posted a net loss of 10% of its covered lives (44,220) and United Healthcare has lost 13% (22,814).



Appendix: Covered Lives, by Plan, by Market, 2005-2011

Summary Table

Market	Covered Lives 2005	Covered Lives 2011	% Change 2005-2011
Large Group	295,666	227,292	-23%
Small Group	99,596	80,198	-19%
Individual	15,782	¹ 14,950	-5%
Total Fully-Insured	411,044	322,440	-22%
Self-Insured	208,949	237,175	14%
Total Private Market	619,993	559,615	-10%

Detail Table

									2010-2011		2005-2011	
		2005	2006	2007	2008	2009	2010	2011	Net Change	% Change	Net Change	% Change
Large Group	BCBSRI	240,303	249,658	247,686	220,035	205,404	198,226	194,711	(3,515)	-2%	(45,592)	-19%
	United	51,613	46,526	38,408	38,327	30,713	24,827	23,988	(839)	-3%	(27,625)	-54%
	Tufts	3,750	3,144	2,904	3,872	7,583	8,930	8,593	(337)	-4%	4,843	129%
	Total	295,666	299,328	288,998	262,234	243,700	231,983	227,292	(4,691)	-2%	(68,374)	-23%
Small Group	BCBSRI	78,578	76,048	75,106	71,195	61,674	58,488	56,090	(2,398)	-4%	(22,488)	-29%
	United	19,595	18,815	17,514	18,568	22,400	23,225	21,855	(1,370)	-6%	2,260	12%
	Tufts	1,423	1,177	1,329	1,354	2,951	2,479	2,253	(226)	-9%	830	58%
	Total	99,596	96,040	93,949	91,117	87,025	84,192	80,198	(3,994)	-5%	(19,398)	-19%
Individual	BCBSRI	15,780	14,595	14,108	14,080	13,807	14,403	14,948	545	4%	(832)	-5%
	United											
	Tufts	²	-	-	1	2	3	2	(1)	-33%	-	0%
	Total	15,782	14,595	14,108	14,081	13,809	14,406	14,950	544	4%	(832)	-153%
Total Fully-Insured	BCBSRI	334,661	340,301	336,900	305,310	280,885	271,117	265,749	(5,368)	-2%	(68,912)	-21%
	United	71,208	65,341	55,922	56,895	53,113	48,052	45,843	(2,209)	-5%	(25,365)	-36%
	Tufts	5,175	4,321	4,233	5,227	10,536	11,412	10,848	(564)	-5%	5,673	110%
	Total	411,044	409,963	397,055	367,432	344,534	330,581	322,440	(8,141)	-2%	(88,604)	-22%
Self-Insured	BCBSRI	105,917	108,156	114,175	134,029	122,223	132,564	130,609	(1,955)	-1%	24,692	23%
	United	99,527	95,674	98,057	94,562	88,706	88,356	102,078	13,722	16%	2,551	3%
	Tufts	3,505	3,774	3,837	3,215	12,266	3,858	4,488	630	16%	983	28%
	Total	208,949	207,604	216,069	231,806	223,195	224,778	237,175	12,397	6%	28,226	14%
Total Private Market	BCBSRI	440,578	448,457	451,075	439,339	403,108	403,681	396,358	(7,323)	-2%	(44,220)	-10%
	United	170,735	161,015	153,979	151,457	141,819	136,408	147,921	11,513	8%	(22,814)	-13%
	Tufts	8,680	8,095	8,070	8,442	22,802	15,270	15,336	66	0%	6,656	77%
	Total	619,993	617,567	613,124	599,238	567,729	555,359	559,615	4,256	1%	(60,378)	-10%

Private Market data: Office of the Health Insurance Commissioner, Insurer Survey of Commercial Insurer Enrollment. All data show covered lives as of December of each year.

Medicaid Enrollment: December 2010 Data Snapshot, compiled by the Health Management Associates from state Medicaid enrollment reports, for the Kaiser Commission on Medicaid and the Uninsured, 2011. Available at: <http://www.kff.org/medicaid/enrollmentreports.cfm>

Medicare Enrollment: Mathematica Policy Research analysis of 2011 CMS State/County Market Penetration Files
<http://www.statehealthfacts.org/profileind.jsp?cat=6&sub=74&rgn=41>

Uninsured Data: U.S. Census Bureau, 2010 American Community Survey, Table S2701, available at: <http://www.census.gov/hhes/www/hlthins/data/acs/aff-2010.html>
 Accessed via Kaiser State Health Facts