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**2011 MEMBERSHIP REPORT  
OF THE MASSACHUSETTS  
INDIVIDUAL/SMALL EMPLOYER  
MARKETS FOR HEALTH COVERAGE**

June 4, 2012

## 2011 Year-End Individual/Small Group Membership Report

### Acknowledgements

The enclosed report was prepared by the Health Care Access Bureau (“HCAB”) staff of the Massachusetts Division of Insurance (“Division”). Kevin P. Beagan, Deputy Commissioner of the Health Care Access Bureau and Maryanne B. Walsh, Health Care Access Bureau Research Analyst, prepared the report and provided the analysis. The report is based primarily on responses from insurance carriers and the Commonwealth Health Insurance Connector (“Connector”) reflecting the experience of carriers in the health insurance market.

**The Division makes all appropriate efforts to check the completeness and consistency of data reported by insurance carriers, but does rely on the insurance carriers for the accuracy of all reported information.**

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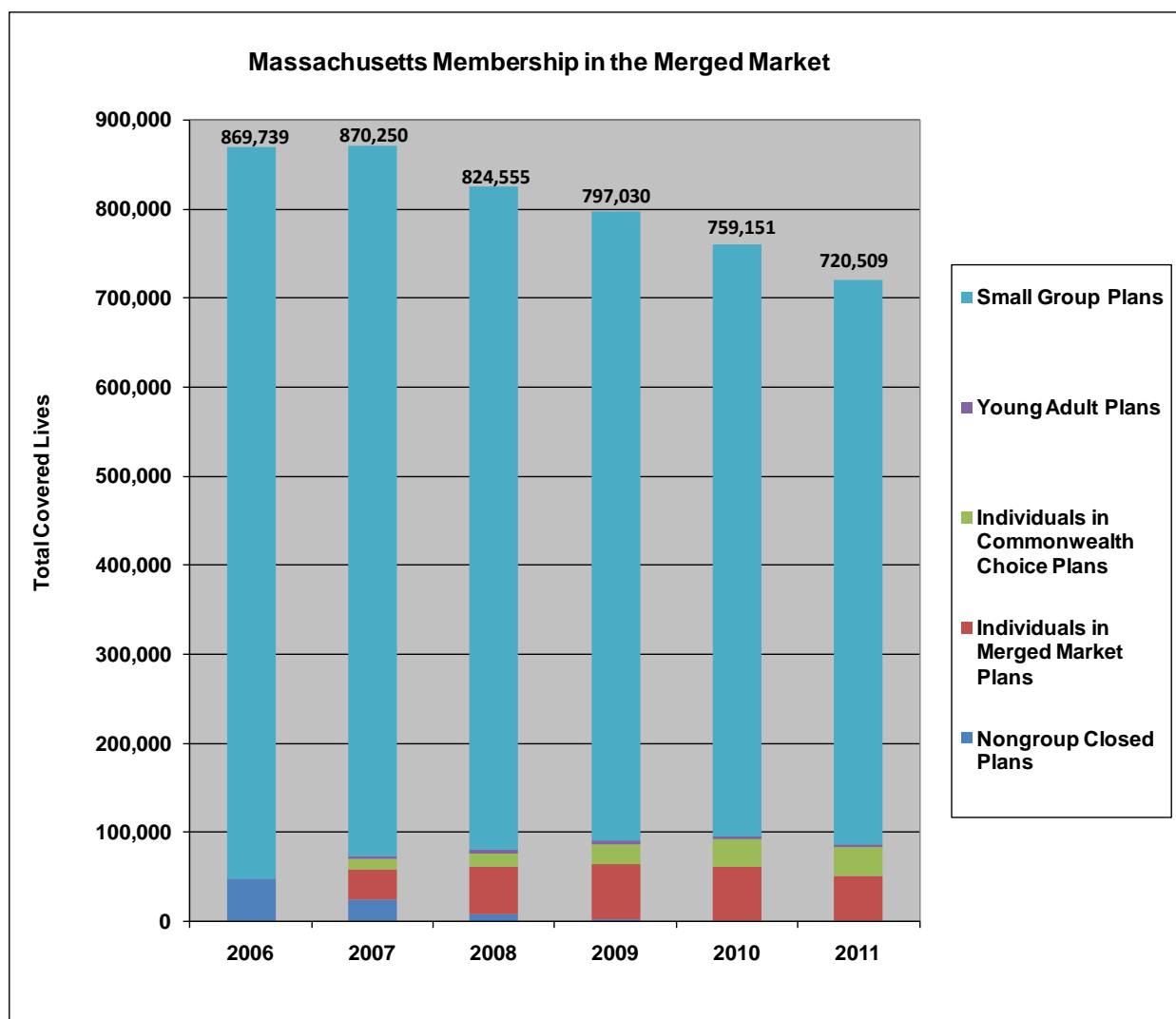
## EXECUTIVE SUMMARY<sup>1</sup>

- Individual membership decreased by 9,551 members from 2010 to 2011. Since the merger of the Massachusetts nongroup and small group health insurance markets in 2007, the total number of individuals covered under insured plans has increased by 38,337 members.
- Small employer membership decreased by 29,091 members from 2010 to 2011. Since the merger of the Massachusetts nongroup and small group health insurance markets in 2007, total small group plan membership has decreased by 187,567 members. The most notable decreases have been:
  - ✓ Blue Cross and Blue Shield of Massachusetts HMO Blue, Inc. had a decrease of 35,835 small employer members from 2010 to 2011.
  - ✓ Blue Cross and Blue Shield of Massachusetts, Inc. had a decrease of 3,691 small employer members from 2010 to 2011.
  - ✓ Fallon Community Health Plan, Inc. had a decrease of 8,193 small employer members from 2010 to 2011.
  - ✓ Tufts Associated Health Maintenance Organization, Inc. had a decrease of 3,609 small employer members from 2010 to 2011.
- On a county basis, Middlesex County's merged market membership decreased by 9,775 members from 2010 to 2011.

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<sup>1</sup> Chapter 58 of the Acts of 2006, An Act Providing Access to Affordable, Quality, Accountable Health Care ("Chapter 58"), merged the nongroup (individual) and small group markets. As of July 1, 2007, every insurance carrier offering health benefit plans in the Massachusetts small group market is required to make every insured health benefit plan available to all eligible individuals and all eligible small businesses that it makes available to any other eligible individual or eligible small business.

Chapter 58 also developed young adult health benefit plans to be offered only through the Commonwealth Health Insurance Connector ("Connector") created under M.G.L. c. 176Q. These plans may only be purchased by individual Massachusetts residents age 18 through 26.



## INDIVIDUAL COVERAGE PRIOR TO THE JULY 1, 2007 MARKET MERGER

Prior to July 1, 2007, Massachusetts individual and small group health insurance policies were regulated separately, and were premium rated in separate risk pools. Nongroup (individual) health insurance was regulated by M.G.L c. 176M and regulation 211 CMR 41.00.

Beginning on November 1, 1997, health carriers were allowed to offer only two types of standardized nongroup guaranteed issue health plans. One plan offered by a carrier was required to include, at a minimum, a standard set of benefits and standard cost-sharing levels. In addition, carriers were allowed to offer an alternate plan with the standard benefits (although they could exclude prescription drugs), but with reduced cost-sharing levels. In addition, all in force Nongroup plans that had been offered prior to November 1, 1997 were required to be continued for already enrolled members and were considered to be closed blocks of business that could not be offered to new enrollees.

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The standardized nongroup guaranteed issue health plans offered very comprehensive coverage. Prior to July 1, 2007, these health plans had been required to be offered on a guaranteed issue basis, with continual open enrollment. The premium rates for these health plans had been reviewed and approved by the Division annually. Premium rates had been allowed to differ only based on the specific rating factors allowed under M.G.L. c. 176M and regulation 211 CMR 41.00.

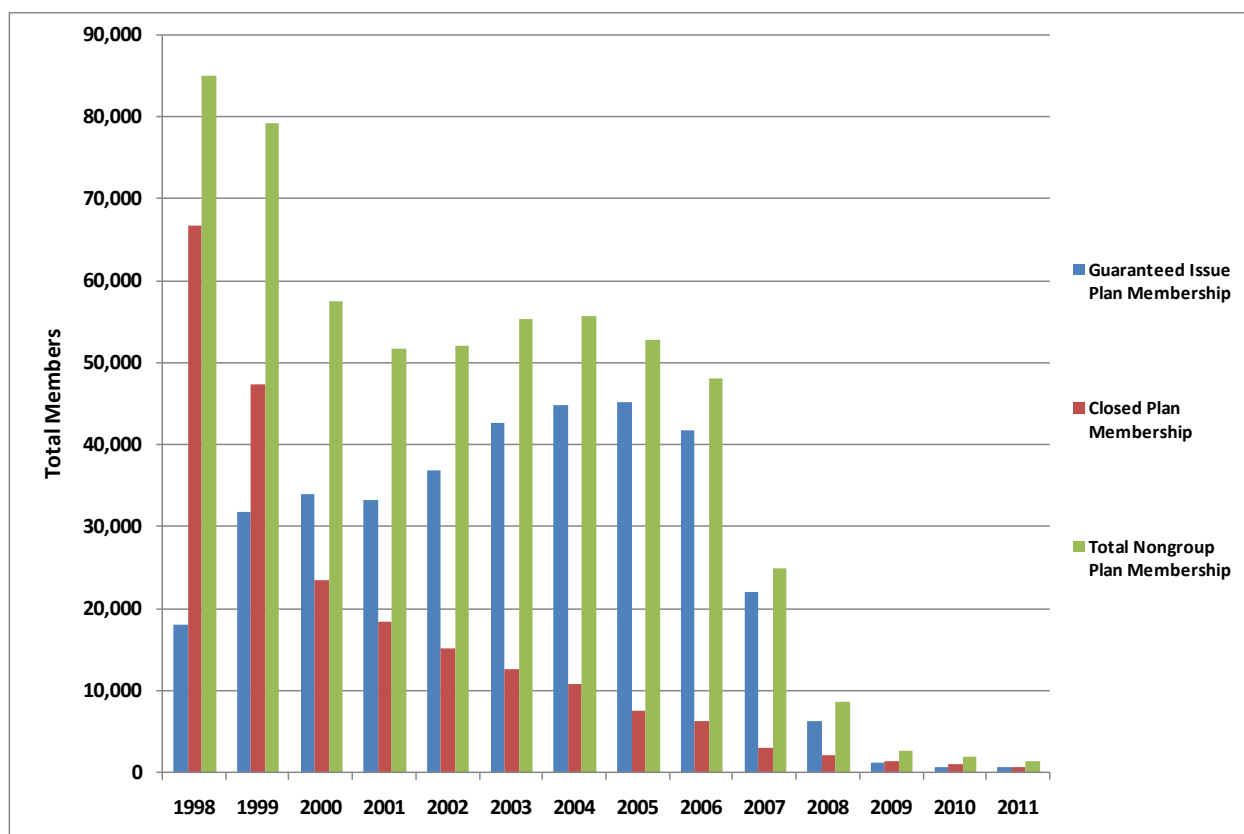
- The membership in nongroup guaranteed issue health plans (issued between 1998 and 2007, and closed to new enrollees beginning July 1, 2007) increased from 18,136 members as of year-end 1998 to 41,837 members as of year-end 2006; 644 members remained in these products by year-end 2011.
- The membership in the nongroup health plans issued prior to 1998 has steadily decreased from 66,896 members as of year-end 1998 to 6,250 members as of year-end 2006 (the last reporting period prior to the market merger on July 1, 2007); 781 members remained in these products by year-end 2011.

### Massachusetts Nongroup Guaranteed Issue Plan and Closed Nongroup Plan Membership<sup>2</sup>

<b>Year</b>	<b>Guaranteed Issue Plan Membership (M.G.L. c. 176M)</b>	<b>Closed Plan Membership (M.G.L. c.176M)</b>	<b>Total Nongroup Plan Membership (M.G.L. c. 176M)</b>	<b>Annual Change in Membership (M.G.L. c. 176M)</b>
1998	18,136	66,896	85,032	
1999	31,826	47,431	79,257	(5,775)
2000	33,966	23,590	57,556	(21,701)
2001	33,330	18,456	51,786	(5,770)
2002	36,926	15,225	52,151	365
2003	42,726	12,734	55,460	3,309
2004	44,920	10,874	55,794	334
2005	45,202	7,605	52,807	(2,987)
2006	41,837	6,250	48,087	(4,720)
2007	22,004	3,023	25,027	(23,060)
2008	6,407	2,198	8,605	(16,422)
2009	1,287	1,414	2,701	(5,904)
2010	796	1,166	1,962	(739)
2011	644	781	1,425	(537)

<sup>2</sup> Based on the annual Nongroup Guaranteed Issue Membership Reports and the annual Closed Nongroup Membership Reports currently on file with the Division.

## 2011 Year-End Individual/Small Group Membership Report



### SMALL GROUP MARKET BEFORE AND AFTER THE TWO MARKETS WERE MERGED JULY 1, 2007

In Massachusetts, prior to July 1, 2007, insured health plans offered to small employers were regulated separately from insured health plans offered to individuals; small group health insurance (offered to employers with 50 or fewer eligible employees, including sole proprietors) is subject to M.G.L. c. 176J and regulation 211 CMR 66.00.

Insurance carriers are permitted to offer as many health plans in the small group market as they deem fit, but they are required to make every health benefit plan available to all eligible small businesses that they offer to any other eligible small business.

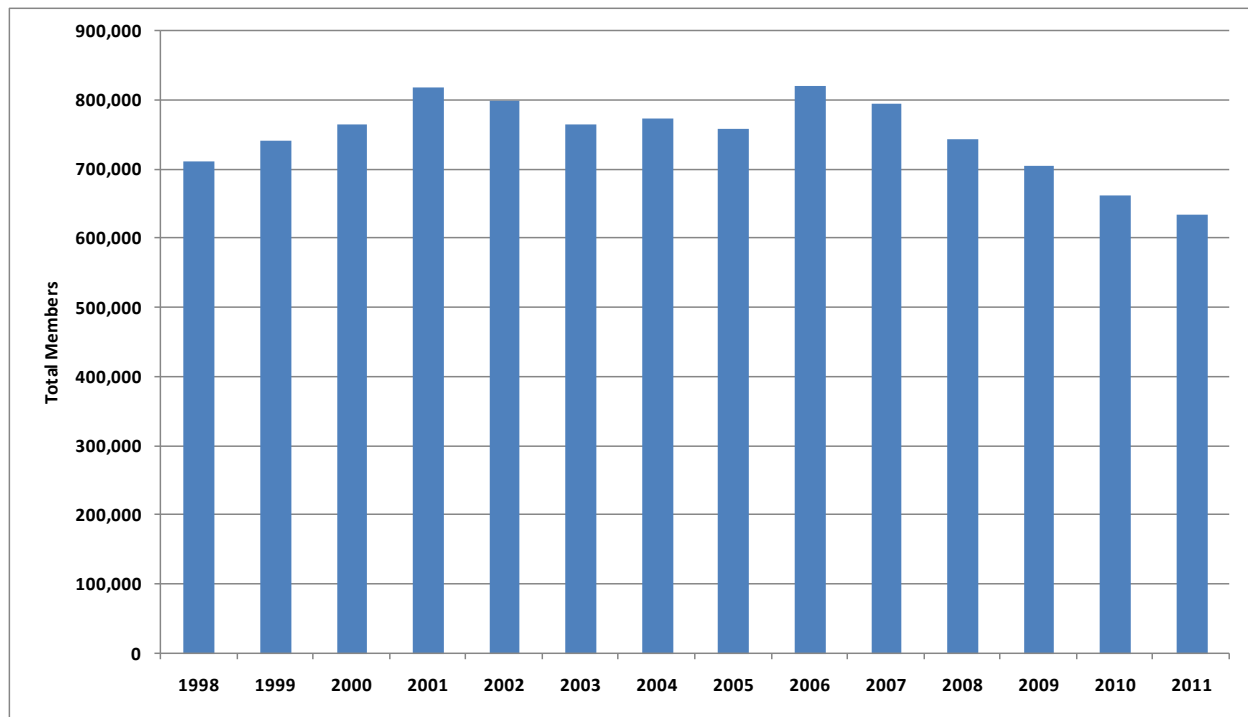
Premiums offered to small employers are only allowed to differ based on specific rating factors allowed by M.G.L. c. 176J and regulation 211 CMR 66.00, and be within a 2:1 rate band for a particular rating period.

The number of insured members from small employers decreased from 712,213 members as of year-end 1998 to 634,085 members as of year-end 2011.

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### Massachusetts Small Group Membership by Year<sup>3</sup>

Year	Small Group Plan Membership	Annual Change in Membership
1998	712,213	
1999	741,917	29,704
2000	764,708	22,791
2001	817,757	53,049
2002	799,854	(17,903)
2003	766,139	(33,715)
2004	772,834	6,695
2005	759,922	(12,912)
2006	821,652	61,730
2007	795,967	(25,685)
2008	743,418	(52,549)
2009	705,384	(38,034)
2010	663,176	(42,208)
2011	634,085	(29,091)



<sup>3</sup> Based on the annual Small Group Membership Reports currently on file with the Division.



## **JULY 1, 2007 MARKET MERGER PURSUANT TO CHAPTER 58**

The newly merged market is regulated by M.G.L. c. 176J and regulation 211 CMR 66.00. The rating methodology is similar to the rating standards described above for the Small Group market prior to July 1, 2007, with some modifications. Insurance carriers must now use the same rating methodology for individuals (previously considered Nongroup) and small groups. The base premium rates may vary according to defined factors but must be within a 2:1 rate band for a particular rating period. Insurance carriers must file an annual actuarial opinion stating that the carrier's rating methodologies and rates comply with the requirements of M.G.L. c. 176J and 211 CMR 66.00, now on a prospective basis.

In addition to the above-noted changes, Chapter 58 created an additional distribution channel for individual and small group health insurance, the Connector. Individuals and small groups may purchase from the Connector a limited number of products, named Commonwealth Choice Plans. These same products that can be purchased from the Connector can also be purchased directly from insurance carriers. In addition, Chapter 58 allowed for the creation and distribution of young adult health benefit plans, which can only be obtained from the Connector. These plans may only be purchased by individual Massachusetts residents age 18 through 26.

## **RESULTS OF THE MERGER OF THE MASSACHUSETTS INDIVIDUAL AND SMALL GROUP HEALTH INSURANCE MARKETS**

- Combined nongroup closed and guaranteed issue plans decreased by 46,662 members from year-end 2006 to year-end 2011.
- Merged market health plans purchased by individuals increased to 83,235 members by year-end 2011.
  - ✓ Commonwealth Choice plans purchased by individuals within the Connector increased to 32,585 members by year-end 2011.
  - ✓ Merged market health plans purchased by individuals outside of the Connector increased to 50,650 members by year-end 2011.
- Young adult health plans purchased by individuals increased to 1,764 members by year-end 2011.
- Resulted in an overall increase in individual membership of 38,337 for the period.

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## Massachusetts Membership by Product Type: Results of the Merged Market<sup>4</sup>

<b>Individuals in:</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Cumulative Change in Membership</b>
<b>Nongroup Closed and Guaranteed Issue Plans</b>	48,087	25,027	8,624	2,708	1,962	1,425	(46,662)
<b>Merged Market Outside Connector<sup>5</sup></b>	0	34,596	53,266	62,078	59,388	50,650	50,650
<b>Commonwealth Choice Plans</b>	0	11,426	15,342	22,035	31,012	32,585	32,585
<b>Young Adult Plans</b>	0	3,234	3,905	4,825	3,613	1,764	1,764
<b>Total Individual Plan Membership</b>	48,087	74,283	81,137	91,646	95,975	86,424	38,337

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<sup>4</sup> Based on the annual Nongroup Guaranteed Issue Membership Reports, the annual Closed Nongroup Membership Reports, and the annual Small Group Membership Reports currently on file with the Division.

<sup>5</sup> This category does not include membership in plans purchased from the Connector - Commonwealth Choice plans.