



Rhode Island Commercial Insurance Enrollment

September 2013
Data as of December 2012

About this Report

This report examines trends in the private, or commercial, health insurance industry serving Rhode Island employers. The Office of the Health Insurance Commissioner (OHIC) produces this report on an annual basis to support the office's mandate to guard the solvency of health insurers, encourage the fair treatment of health care providers, and improve the health care system as a whole.

To inform this report, the Office collects enrollment data from the three largest private 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 2012. Covered lives shown for each year represent enrollment as of December of that year.

Small Group Market Decline Drives Loss in RI Commercial Market

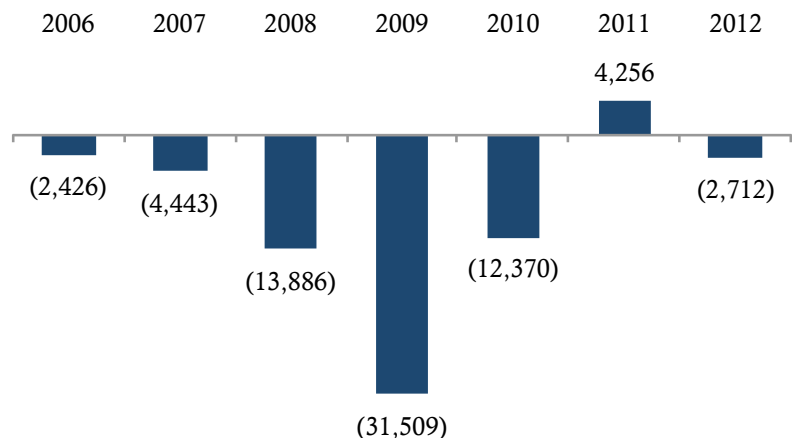
2,712 Fewer Lives in the Rhode Island Market, Dec. 2011- Dec. 2012

Between December 2011 and December 2012, enrollment in the Rhode Island commercial, or private, market (Blue Cross Blue Shield Rhode Island, United Healthcare, and Tufts Health Plan) declined by 2,717 covered lives (subscribers and their dependents) to 556,903 people. Losses in the fully insured market, specifically the small group market, drove this decline.

As the chart below shows, except for last year's gain of about 4,000 lives, the market has shrunk every year that the Office of the Health Insurance Commissioner (OHIC) has gathered data. This year's loss may indicate a return to the historical trend of declining private market enrollment, which began prior to the height of the economic crisis. Between 2005 and 2012, the average annual rate of decline was 9,013 lives, or 1.6% of the current market. More recent results track the decline in Rhode Island's total population (about 0.2%, annually²).

Annual Change in Commercial Covered Lives

as of December of each year



Source: OHIC, Insurer Survey of Private Insurer Enrollment

Over half (57%) of Rhode Islanders are covered by private insurance.

Medicare (13%), Medicaid (18%), and other government programs cover most of the rest. Eleven percent, or 116,000 people, remain uninsured.

American Community Survey 2011³

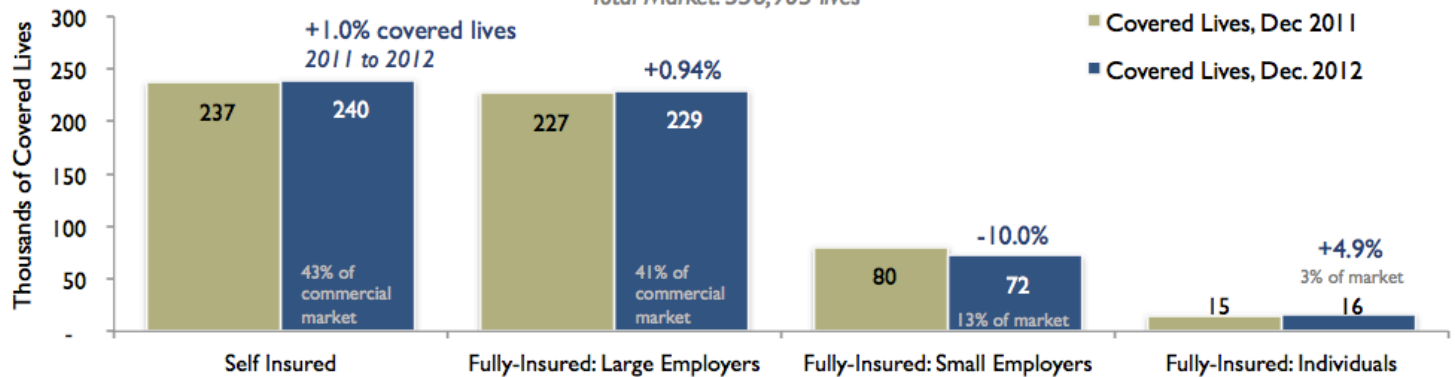
Most Rhode Islanders get their insurance through their employers. The employers of this group are either ‘self-insured’ or ‘fully insured’, defined in the “Key Terms” box below. Within the fully insured market, OHIC tracks enrollment by large employer groups, small employer groups, and individual consumers. Self-insured and fully insured large groups make up 84% of the total market, holding 43% and 41% of the market, respectively. Fully insured small group (13%) and fully insured individual subscribers (3%) make up the remainder of the market.

Since 2005, the total privately insured population (those that receive insurance from their employer or purchase directly from an insurer) has fallen by 10%, with a 0.5% decline since December 2011. As the chart below shows, the self-insured, fully insured large group, and individual markets all gained membership between Dec. 2011 and Dec. 2012. However, losses in the small group market alone (-8,051 covered lives) were one-third higher than the gains in all other markets combined (+5,339), resulting in a market-wide membership decline of 2,712 covered lives.

Covered Lives by Market Type

Dec. 2011 and Dec. 2012, in Thousands

Total Market: 556,903 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** refers to all subscribers and their dependents enrolled in commercial insurances
- 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. Self-insured groups, generally large companies, collect premiums from employees and use that money to pay medical claims via an insurance company
- 5 **Small Groups:** Those with 50 or fewer employees, including business groups of 1 (BG1)
Large Groups: Groups with more than 50 employees

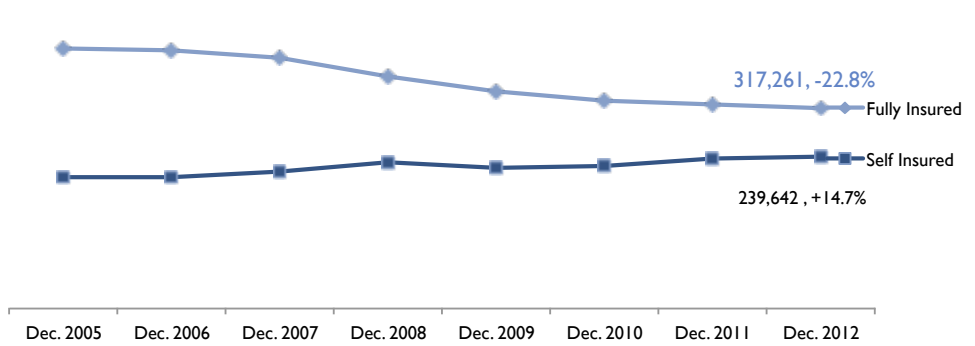
Enrollment in self-insured plans continues to rise

In 2012, the self insured market added 2,467 covered lives while fully insured lost 5,179

The commercial market share of self-insured plans grew from 34% in 2005 to 43% in 2012.

Since 2005, the fully insured market has shrunk by 93,783 covered lives while the self-insured market has added more than thirty thousand.

Total Covered Lives, By Risk Type
Covered Lives and Percent Change Since December 2005



Self-insured groups function as their own insurance companies. Rather than paying premiums to an insurer, these groups collect payments to cover employee claims themselves. The employers use these funds to pay their employees' medical claims and to hire an administrator, such as United Healthcare, Blue Cross, or Tufts, to manage these transactions. This arrangement makes the employer *fully-at-risk* for all medical expenses. Self-insured groups are generally large employers because they are capable of spreading this risk over many people. In contrast, fully insured groups pay premiums directly to the insurance company, transferring the risk of paying any medical claims to the insurer.

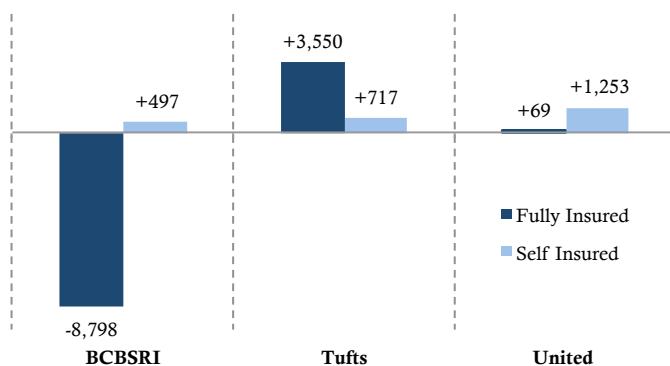
Large employers self-insure primarily as a cost savings method. Being self-insured can lower total company health care costs in many ways, mainly through administrative saving and tailored benefit designs that meet the needs of its employees. Further, companies that manage their own risk directly reap the benefits of lower employee healthcare costs, which then encourages wellness programs, better chronic disease management, and further benefit innovations. However, self-insuring can bring additional risks: a few unexpectedly expensive cases can drain small company's claims reserves, which is why most self-insured groups choose to purchase reinsurance for such outlier cases.

Large Group: -66,232
Self-Insured: +30,693

Change in Covered Lives, 2005-2012

Since large groups are more likely to self-insure than small groups, growth in the self-insured market is often mirrored by a decline in the large-group market.

Change in Covered Lives, By Carrier, by Risk Type
December 2011- December 2012

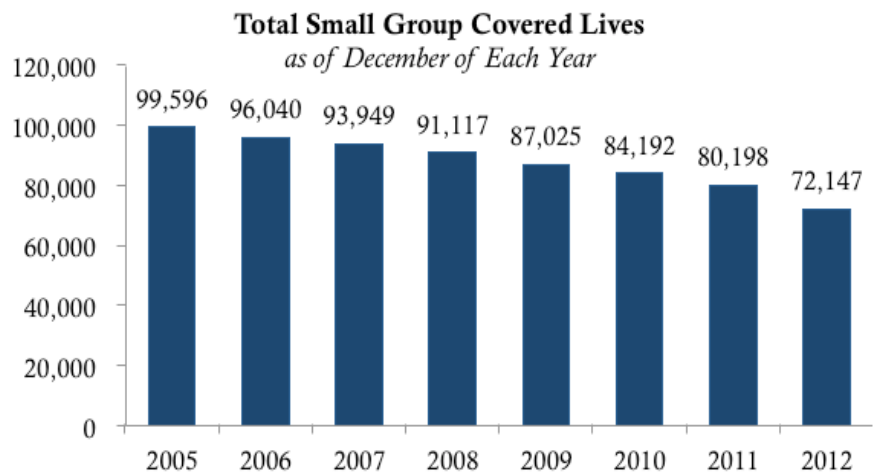


Because of the advantages described above and because self-insured groups are subject to many fewer state and federal mandates, the self-insured market is growing quickly. This trend has significant implications for the comparatively shrinking fully insured market. Fully insured groups, which *are* required to meet certain benefit standards and help pay for programs such as childhood immunizations that benefit the whole population, shoulder a growing portion of these public health costs.

Small group market has shrunk by 28% since 2005

In the past year alone, the small group market fell by 8,051 covered lives

Losses in the fully insured small group market – among all insurers – drove the recent decline in total covered lives. Between December 2011 and December 2012 the total small group market fell by 10%, dropping 1.3 percentage points of its market share to large and self-insured groups. The year’s loss is the seventh in a row for the small group market, which was also the only segment to post a significant market share decline during 2012. The decline could be caused by numerous factors including growth into the large or self-insured markets, enrollment with carriers not listed in this report (CIGNA, Aetna, etc.), a declining state population, and perceived uncertainty and expense in the small employer market.



Small Group:	-28%
Large Group:	-22%
Individual:	-1%
Self- Insured:	+15%
<i>Percent Change, Covered Lives 2005-2012</i>	

Between 2005 and 2012, the small employer market lost the highest percentage of among the four market segments.

Overall losses may reflect changes in the Rhode Island job market

Job market shifts from manufacturing, education, and information to accommodation and food services.

Losses in the overall private market have coincided with changes in job market from 2011 to 2012.

According to the Rhode Island Employment and Wage Analysis, although the Rhode Island market added 3,518 private sector jobs in 2012, there has been a structural shift away from industries that traditionally offer rich health insurance benefits. Industries such as accommodation and food service tend to have more part-time employees, and therefore fewer positions that offer benefits. For instance, between 2011 and 2012, the manufacturing industry lost 732 jobs (-1.9%), while the accommodation and food industry gained 1,566 (+3.7%).

Between 2011 and 2012, manufacturing, education, and information lost a total of 1,952 jobs. Accommodation and food services gained 1,566.

Enrollment trends differ by insurer; Tufts posts largest gains

All three companies lose significant small group membership

As the table below shows, changes in commercial membership, particularly in the fully insured market, vary by insurer. At Tufts and UHC, fully insured large membership rose significantly (45% and 18%, respectively) over the past year. In the same market last year, BCBSRI lost about 6,000 members, or 3% of that segment, indicating that several large accounts may have switched among the carriers. Because of Rhode Island's relatively small size and concentration of payers, large year-to-year membership swings do not necessarily indicate systematic shifts.

	Enrollment Notes: December 2011-December 2012	Fully Insured Large Group Change	Fully Insured Small Group Change	Fully-Insured Total Change
BCBSRI	BCBSRI enrollment declined by 2.1%. Fully insured large and small group losses drove this decline.	-6,061	-3,467	-8,798* total loss: -8,301
Tufts	Driven by gains in their large group business – two large accounts in particular – Tufts' fully-insured membership jumped 33% in 2012 (and 28% overall).	+3,876	-326	+3,550 total gain: +4,267
United	United offset losses in small group membership with gains in fully-insured large group. Its overall membership, including self-insured, rose by 1%.	+4,327	-4,258	+69 total gain: +1,322

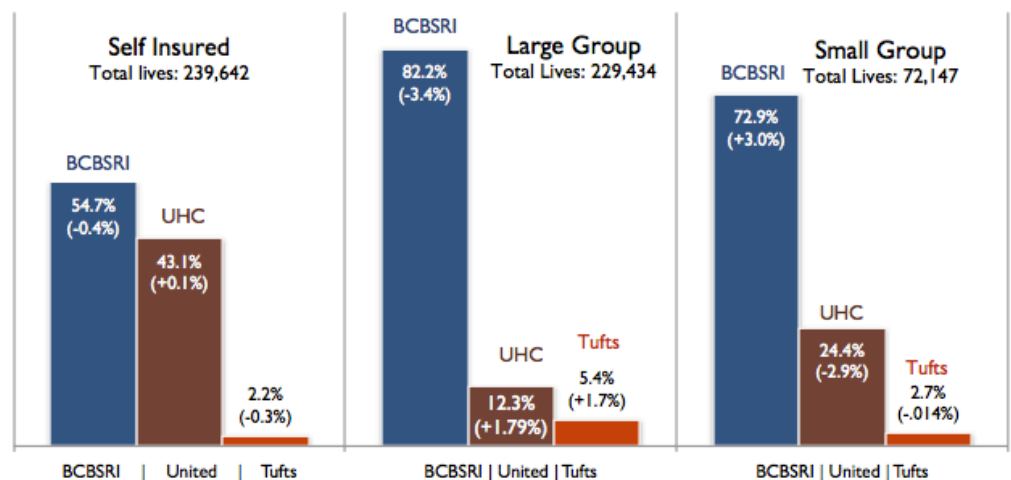
*Includes +730 individual members.

The chart to the right shows how market share differs within each group type (self-insured, large group and small group).

BCBSRI holds 82% of the fully insured large group market and 73% of the fully insured small group market.

Tufts has a more significant and growing presence in the large group market while UHC's is relatively strongest in the self-insured segment (UHC holds the state employees' account, the largest self-insured group in Rhode Island)

Company Market Share, within Group Type Markets
Actual and change (percentage points) from December 2011



Appendix: Covered Lives, by Plan, by Market, 2005-2012

Summary Table	Market	Covered Lives 2005	Covered Lives 2012	% Change 2005-2012
	Large Group	295,666	229,434	-22%
	Small Group	99,596	72,147	-28%
	Individual	15,782	15,680	-1%
	Total Fully-Insured	411,044	317,261	-23%
	Self-Insured	208,949	239,642	15%
	Total Private Market	619,993	556,903	-10%

Detail Table

										2011-2012		2005-2012	
		2005	2006	2007	2008	2009	2010	2011	2012	Net Change	% Change	Net Change	% Change
Large Group	BCBSRI	240,303	249,658	247,686	220,035	205,404	198,226	194,711	188,650	-6,061	-3%	-51,653	-21%
	United	51,613	46,526	38,408	38,327	30,713	24,827	23,988	28,315	+4327	18%	-23,298	-45%
	Tufts	3,750	3,144	2,904	3,872	7,583	8,930	8,593	12,469	+3876	45%	+8,719	233%
	Total	295,666	299,328	288,998	262,234	243,700	231,983	227,292	229,434	-2,142	1%	-66,232	-22%
Small Group	BCBSRI	78,578	76,048	75,106	71,195	61,674	58,488	56,090	52,623	-3,467	-6%	-25,955	-33%
	United	19,595	18,815	17,514	18,568	22,400	23,225	21,855	17,597	-4,258	-19%	-1,998	-10%
	Tufts	1,423	1,177	1,329	1,354	2,951	2,479	2,253	1,297	-326	-14%	+504	35%
	Total	99,596	96,040	93,949	91,117	87,025	84,192	80,198	72,147	-8,051	-10%	-22,449	-28%
Individual	BCBSRI	15,780	14,595	14,108	14,080	13,807	14,403	14,948	15,678	+730	-5%	-102	-1%
	United												
	Tufts	2	-	-	1	2	3	2	2	-	-	-	0%
	Total	15,782	14,595	14,108	14,081	13,809	14,406	14,950	15,680	+730	-5%	-102	-1%
Total Fully-Insured	BCBSRI	334,661	340,301	336,900	305,310	280,885	271,117	265,749	256,951	-8,798	-3%	-77,710	-23%
	United	71,208	65,341	55,922	56,895	53,113	48,052	45,843	45,912	+69	0%	-25,296	-36%
	Tufts	5,175	4,321	4,233	5,227	10,536	11,412	10,848	14,398	+3550	33%	+9,223	178%
	Total	411,044	409,963	397,055	367,432	344,534	330,581	322,440	317,261	-5,179	-2%	-93,783	-23%
Self-Insured	BCBSRI	105,917	108,156	114,175	134,029	122,223	132,564	130,609	131,106	+497	0.4%	+25,189	24%
	United	99,527	95,674	98,057	94,562	88,706	88,356	102,078	103,331	+1,253	1%	+3,804	4%
	Tufts	3,505	3,774	3,837	3,215	12,266	3,858	4,488	5,205	+717	16%	+1,700	49%
	Total	208,949	207,604	216,069	231,806	223,195	224,778	237,175	239,642	+2,467	1%	+30,693	15%
Total Private Market	BCBSRI	440,578	448,457	451,075	439,339	403,108	403,681	396,358	388,057	-8,301	-2%	-52,521	-12%
	United	170,735	161,015	153,979	151,457	141,819	136,408	147,921	149,243	+1,322	1%	-21,492	-13%
	Tufts	8,680	8,095	8,070	8,442	22,802	15,270	15,336	19,603	+4,267	28%	+10,923	126%
	Total	619,993	617,567	613,124	599,238	567,729	555,359	559,615	556,903	-2,712	-0.5%	-93,783	-10%

1. 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.

2. Rhode Island Population Data: U.S. Census Borough Population Statistics

3. Medicaid Enrollment, Medicare Enrollment, and Uninsured Data: U.S. Census Borough, 2011 American Community Survey Data, 2011.

4. Job Market Data: RI Department of Labor and Training, Rhode Island Employment and Wage Analysis 2012,