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**ANNUAL REPORT ON THE  
PERFORMANCE OF THE MASSACHUSETTS  
HEALTH CARE SYSTEM**

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**SUPPLEMENT 10: COMMERCIAL  
HEALTH INSURANCE COVERAGE**



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# Commercial Health Insurance Coverage

Members in the Massachusetts commercial health insurance market are enrolled in either fully-insured or self-insured plans. These plan types are distinguished by the entity that bears the insurance risk for coverage of the members. These fully- and self-insured plans can have different plan structures that determine how a member's care is managed, generally a Health Maintenance Organization (HMO) or Preferred Provider Organization (PPO) structure.

This Supplement provides information on member enrollment by coverage type, by payer, and by market sector in the Massachusetts commercial insurance market from 2011 to 2013.<sup>1</sup>

## Key Findings:

In 2013, 58% of enrollment was in self-insured plans. Between 2012 and 2013, self-insured plan enrollment increased by one percentage point, continuing the trend of slow, but steady enrollment increases in recent years.

Nearly three-quarters of enrollees in fully-insured plans were in an HMO in 2013, compared to only one-quarter of self-insured enrollees. Declines in HMO enrollment were reported in both the fully-insured and self-insured segments of the market.

The larger the employer in 2013, the more likely it was to be self-insured, and the less likely it was to utilize an HMO plan design.

## Commercial Health Insurance Coverage

Commercial health insurance is administered on a contract basis. When a payer sells an insurance contract to a Massachusetts employer, premiums are set for all employees and dependents under that contract, regardless of state residency.<sup>2</sup>

The majority of Massachusetts commercial market members enroll in insurance through an employer, although some individuals may enter into contracts directly with a commercial payer for insurance coverage.

The commercial health insurance enrollment analysis presented here is based on data from eight Massachusetts-licensed payers.<sup>3</sup>

From 2012 to 2013, Massachusetts commercial contract-membership increased 0.9% to approximately 4.26 million covered-lives.<sup>4</sup> National payer CIGNA reported the largest membership increase during the year of 33,225 (+6.8%) new members, building on its earlier year-over-year growth.<sup>5</sup> Massachusetts-based NHP, a Partners HealthCare affiliate, reported the largest percentage increase in membership from 2012 to 2013, with 8,418 new members (+14.3%).

The Massachusetts commercial health insurance market remains highly concentrated. In 2013, the top four reporting payers based on contract-enrollment – BCBS, HPHC, Tufts, and CIGNA – accounted for 89% of reported commercial membership.<sup>6</sup>

## Fully-Insured and Self-Insured Membership

A fully-insured employer contracts with a payer to cover a portion of pre-specified medical costs for its employees and dependents. Under a fully-insured plan the payer holds the financial risk. A self-insured employer, conversely, holds the financial responsibility and risk for its employee and employee-dependent medical claims,<sup>7</sup> and pays fees related to claims administration provided by payers or Third Party Administrators (TPAs).<sup>8,9</sup> Employers may choose to self-insure to reduce costs or to better customize their health plan benefits, an option more easily exercised outside of the state-regulated fully-insured market. Self-insured employers are also not subject to many of the taxes and fees (e.g. Patient Protection and Affordable Care Act (ACA) Insurer Fee, State Premium Tax), regulations,

and reporting requirements of the fully-insured market, such as mandated benefit requirements<sup>10</sup>, given their unique protections under the federal Employee Retirement Income Security Act (ERISA) of 1974.<sup>11</sup> Both segments of the market, however, are subject to certain ACA requirements, such as Maximum Out-of-Pocket Expenses.<sup>12</sup>

Approximately 58% of reported commercial membership was self-insured in 2013, up one percentage point since 2012. This growth is consistent with a long-running national trend, though the proportion of the Commonwealth's self-insured membership remains slightly below national levels.<sup>13</sup>

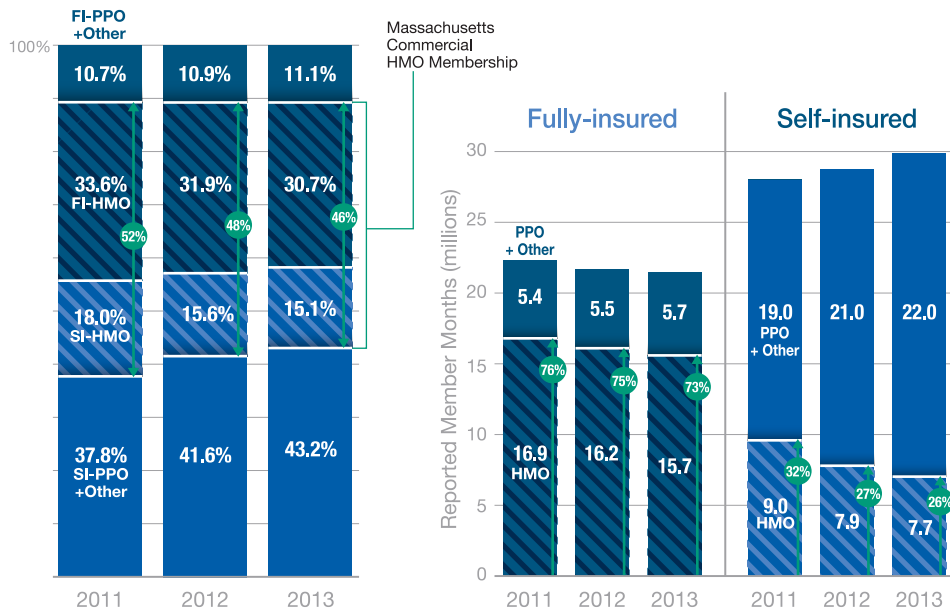
## Managed Care Membership

Massachusetts commercial membership in Health Maintenance Organization (HMO)<sup>14</sup> plans decreased by nearly six percentage points from 2011 to 2013 to 46% (Figure 10.1), a drop of four percentage points from 2011 to 2012 and two percentage points from 2012 to 2013.<sup>15</sup> This decline in HMO enrollment occurred in both the fully-insured and self-insured segments of the market. Overall enrollment declines were significantly greater in the fully-insured segment because it represented a greater

<sup>1</sup> See Annual Report Glossary for HMO and PPO definitions and the Technical Appendix for more detail.

<sup>2</sup> For employer-sponsored insurance, contract-membership includes all employees and their dependents covered under Massachusetts employer contracts, some of whom may reside outside of the Commonwealth. For more information on resident-membership, see CHIA's Massachusetts Health Care Coverage: Enrollment Trends (2014). Available from: <http://www.mass.gov/chia/gov/laws-regs/email/massachusetts-health-care-coverage-enrollment-trends-.html>

<sup>3</sup> Data in this section are reported by Blue Cross Blue Shield of Massachusetts (BCBS), CIGNA, Fallon Health (Fallon), Harvard Pilgrim Health Care (HPHC), Health New England (HNE), Neighborhood Health Plan (NHP), Tufts Health Plan (Tufts), and WellPoint (UniCare). United Healthcare was unable to provide reliable enrollment and premiums data for this report.



10.1 HMO Membership by Fully-/Self-Insured (2011-2013)

portion of the HMO population; nearly three-quarters of fully-insured membership was in an HMO plan in 2013, compared to only one-quarter of self-insured membership.

Figure 10.1: HMO Membership by Fully-/Self-Insured (2011-2013)

### Fully-Insured and Self-Insured Membership by Payer

Self-insured membership increased for all reporting payers that offered self-insured plans between 2011 and 2013, except HNE. HPHC reported the largest self-insured membership increase, +5.4 percentage points, bringing its self-insured membership to more than half of its total membership for the first time. In 2013, nearly all of the membership at nationally-based CIGNA (98%) and WellPoint (94%) was self-insured, while a majority of the membership at Massachusetts-based Fallon, HNE, NHP, and Tufts remained fully-insured.<sup>16</sup>

Figure 10.2: Fully-/Self-Insured Membership by Payer (2013)

Payer	HMO Membership (%)			Change (Percentage Point)	
	2011	2012	2013	2011-2012	2012-2013
BCBS	50.7%	44.3%	42.6%	-6.4 pp	-1.8 pp
CIGNA	0.0%	0.0%	0.0%	0.0 pp	0.0 pp
Fallon	96.5%	96.1%	95.4%	-0.3 pp	-0.7 pp
HPHC	70.6%	69.8%	67.9%	-0.8 pp	-1.9 pp
HNE	93.6%	94.7%	85.7%	1.2 pp	-9.1 pp
NHP	100.0%	100.0%	100.0%	0.0 pp	0.0 pp
Tufts	61.5%	59.4%	58.7%	-2.0 pp	-0.7 pp
WellPoint	0.0%	0.0%	0.0%	0.0 pp	0.0 pp
<b>Total</b>	<b>51.5%</b>	<b>47.5%</b>	<b>45.7%</b>	<b>-4.0 pp</b>	<b>-1.8 pp</b>

10.1 Managed Care Membership by Payer (2011-2013)

### Managed Care Membership by Payer

HMO membership did not increase for any payer between 2012 and 2013. BCBS HMO membership fell by 1.8 percentage points between 2012 and 2013 to 43% of total enrollment, following a decrease of 6.4 percentage points from 2011 to 2012.

Table 10.1: Managed Care Membership by Payer (2011-2013)

### Fully-Insured and Self-Insured Membership by Market Sector

The Massachusetts commercial insurance market is divided into market sectors based on the size of the employers (Figure 10.3).

<sup>4</sup> Estimated from reported member months totals divided by 12.

<sup>5</sup> From 2011 to 2012, CIGNA added an estimated 50,267 net members (+11.4%).

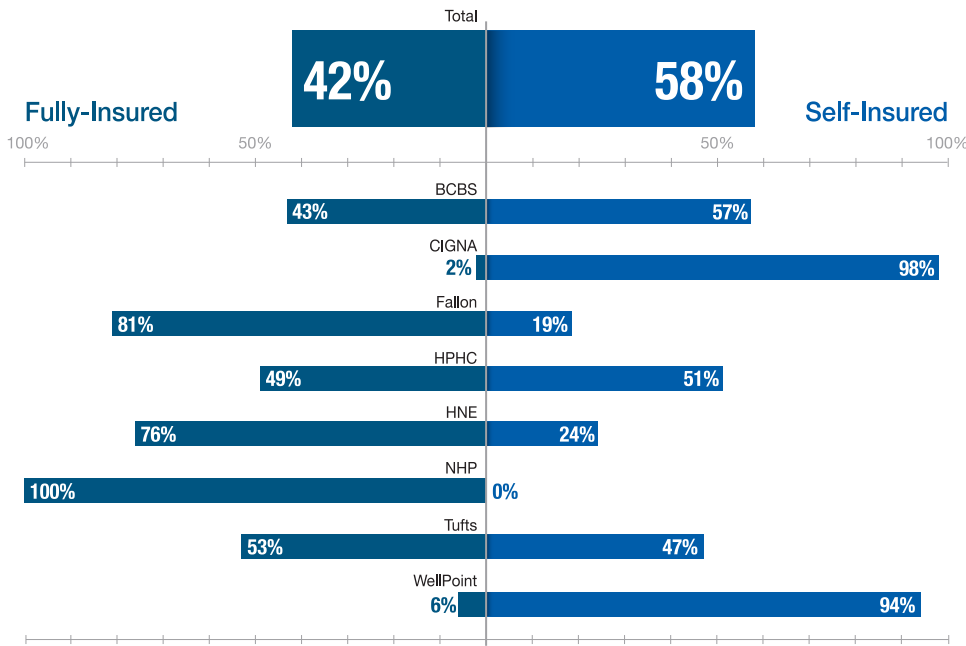
<sup>6</sup> As of September 2013, these same four payers accounted for 73% of commercial enrollment based on resident-membership. United Healthcare, not CIGNA, was the fourth-largest payer by

resident-membership but was unable to provide reliable contract data for this report. CIGNA was the sixth-leading payer by resident-membership. See DataBook for resident-membership by payer.

<sup>7</sup> Employers may mitigate some of the risk of unexpected, high medical claims by purchasing stop-loss insurance. Employers may purchase stop-loss policies that become effective at varying levels, or attachment points, to mitigate aggregate risk or the maximum risk borne from any one member's utilization.

The rules and regulations for payers in contracting and administering insurance plans differ between market sectors.

**Figure 10.3: Commercial Market Sectors (Market Contracts by Employer Size)**



**10.2 Fully-/Self-Insured Membership by Payer (2013)**

Market Sector	Market Sector Definition
Merged Market	<b>Individual</b> Individual contract with payer; includes individual purchases through the Massachusetts Health Connector
	<b>Small Group</b> Employer groups with 1-50 eligible enrollees (see 211 CMR 66.04)
<b>Mid-Size Group</b>	Employer groups with 51-100 enrolled employees
<b>Large Group</b>	Employer groups with 101 to 499 enrolled employees
<b>Jumbo Group</b>	Employer groups with 500 or more enrolled employees

**10.3 Commercial Market Sectors (Market Contracts by Employer Size)**

Self-insured employers tended to be larger employers than those that were fully-insured.<sup>17</sup> Almost 84% of Jumbo Group membership was self-insured in 2013. Conversely, nearly all Merged Market (Individual and Small Group) members and Mid-Size Group members were under fully-insured contracts.

**Figure 10.4: Total Contract Membership by Fully-/Self-Insured and Market Sector (2013)**

### Managed Care Membership by Market Sector

HMO enrollment varies significantly by market sector. Between 2012 and 2013, the Jumbo Group HMO enrollment decreased by 1.5 percentage points to 31.2%, while in the Individual segment of the Merged Market sector HMO enrollment increased by 1.2 percentage points to 85.2%. This was concurrent with the larger market sectors' trend toward self-insured plans, which were less likely to use HMO plan designs in Massachusetts.

**Table 10.2: Managed Care Membership by Market Sector (2011-2013)**

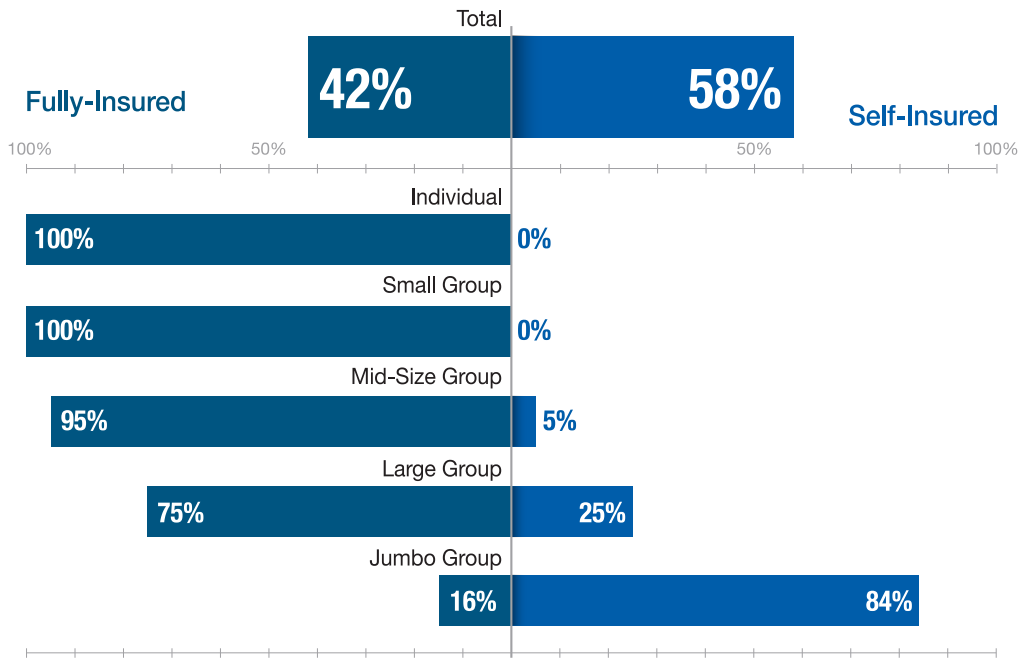
<sup>8</sup> Self-insured employers also contract with payers or TPAs to utilize their networks and negotiated provider fees.

<sup>9</sup> As within fully-insured employers, employees of self-insured firms may pay a fixed "premium" contribution.

<sup>10</sup> See CHIA's Mandated Benefit Reviews Guide at [mass.gov/chia](http://mass.gov/chia).

<sup>11</sup> United States Department of Labor (May 2013). Understanding Your Fiduciary Responsibilities under a Group Health Plan, available at: <http://www.dol.gov/ebsa/publications/ghpfiduciaryresponsibilities.html> (Accessed August 29, 2014).

<sup>12</sup> For plan years beginning in 2014, ACA out-of-pocket maximums are \$6,350 for individual coverage and \$12,700 for family coverage for all non-grandfathered health plans, including self-insured plans.



10.4 Total Contract Membership by Fully-/Self-Insured and Market Sector (2013)

Market Sector	HMO Membership (%)			Change (Percentage Point)	
	2011	2012	2013	2011-2012	2012-2013
Individual	83.3%	84.0%	85.2%	0.7 pp	1.2 pp
Small Group	85.4%	84.6%	84.0%	-0.8 pp	-0.6 pp
Mid-Size Group	78.6%	76.2%	74.7%	-2.4 pp	-1.5 pp
Large Group	66.3%	64.7%	60.3%	-1.6 pp	-4.4 pp
Jumbo Group	37.5%	32.6%	31.2%	-4.8 pp	-1.5 pp
<b>Total</b>	<b>51.5%</b>	<b>47.5%</b>	<b>45.7%</b>	<b>-4.0 pp</b>	<b>-1.8 pp</b>

10.2 Managed Care Membership by Market Sector (2011-2013)

<sup>13</sup> According to the Kaiser Family Foundation's 2013 Employer Health Benefits Survey, the percentage of covered workers in a self-funded plan nationwide increased from 44% in 1999 to 61% in 2013: <http://kff.org/report-section/ehbs-2013-section-10/>.

<sup>14</sup> HMOs for this report's data specification was defined as plans that have a closed network of providers, outside of which coverage is not provided, except in emergencies. These plans generally require members to coordinate care through a primary care physician, but may also provide open access to in-network providers.

<sup>15</sup> Data was reported to CHIA by payers in response to CHIA's Annual Premiums Data Request.

Payers were asked to provide a mutually exclusive breakdown of managed care type by Health Maintenance Organization (HMO), Preferred Provider Organization (PPO), and "Other". For plans that included multiple managed care types, the reporting category was determined according to the managed care type within the plan that had the highest allowed claims total dollar value.

<sup>16</sup> Membership for the Individual segment of the Merged Market (non-employer-based coverage) is included in the fully-insured totals.

<sup>17</sup> In 2013, the average reported Massachusetts self-insured employer had 5,423 employees while the average reported fully-insured employer had 506 employees.



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