

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 935 (Delegate Redmer)
Economic Matters

Small Group Health Insurance - Preexisting Conditions

This bill modifies preexisting condition provisions for small group health benefit plans.

Fiscal Summary

State Effect: Potential minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the \$125 rate and form filing fee in FY 2003. No effect on expenditures.

Local Effect: None.

Small Business Effect: Minimal. To the extent carriers impose preexisting condition clauses on new enrollees, overall premiums could decrease.

Analysis

Bill Summary: This bill permits an insurer, nonprofit health service plan, or HMO (carrier) to impose a 12-month preexisting condition provision in the small group market on a new enrollee if the enrollee has received medical advice, diagnosis, care, or treatment for the condition during the 6-month period immediately preceding the effective date of coverage. A 12-month preexisting condition provision must be reduced by the number of months immediately preceding the effective date of coverage that an eligible enrollee maintained health insurance coverage.

In addition, the bill changes the preexisting condition provision for a late enrollee from a maximum 12-month period to an 18-month period.

Current Law: A carrier cannot limit coverage under a health benefit plan sold in the small group market for a preexisting condition, except for late enrollees in some circumstances. A late enrollee is an individual who requests enrollment in a health benefit plan after the initial enrollment period provided or a self-employed individual who requests enrollment in a health benefit plan after an annual open enrollment period for self-employed individuals. A carrier may subject a late enrollee to a 12-month preexisting condition provision or waiting period until the next open enrollment period not to exceed a 12-month period.

Background: Chapter 388 of 2001 requires an independent evaluation of Maryland's small group market. This study required an examination of the existing delivery system as well as the Comprehensive Standard Health Benefit Plan compared to similar small group markets in other states. The report was issued on February 19, 2002.

The report examined preexisting condition requirements in Maryland's small group reform law, and noted that the lack of any preexisting condition limitations for enrollees is different from most states. Maryland's policy on preexisting conditions reflects a strongly held view in the State that restrictions on access to coverage should be minimal, and the report did not recommend any change in the overall policy. The study does note, however, that if changes were made with regard to preexisting condition limitations in the small group market, changes should only be made with respect to groups of one. Of all of the groups purchasing health insurance in the small group market, it is these groups of one that pose the greatest danger of adverse selection.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Maryland Health Care Commission, Health Services Cost Review Commission), Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - February 24, 2002
ncs/cer

Analysis by: Susan D. John

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510

