

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 74
 Economic Matters

(Delegate Pendergrass, *et al.*)

Finance

Consumer Protection – Privacy of Social Security Numbers

This bill prohibits specified disclosures of an individual’s Social Security number (SSN). Violation of the bill is an unfair or deceptive trade practice under the Maryland Consumer Protection Act.

The bill is effective January 1, 2005.

Fiscal Summary

State Effect: One-time expenditures for employee health benefits could increase by approximately \$73,100 (all funds) in FY 2006 due to administrative cost increases for self-insured plans and premiums for nonself-insured plans. The Department of Budget and Management (DBM) would incur approximately \$60,000 (general funds) in administrative expenses in FY 2006.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	103,900	0	0	0
SF Expenditure	0	14,600	0	0	0
FF Expenditure	0	14,600	0	0	0
Net Effect	\$0	(\$133,100)	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Expenditures for local government employee health benefits could increase if carriers raise their premiums as a result of the bill’s requirements. Any increase is expected to be minimal. Revenues would not be affected.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The bill prohibits a person, excluding a unit of State or local government, from: (1) publicly posting or displaying an individual's SSN; (2) printing an individual's SSN on a card required to access products or services provided by the person providing the card; (3) requiring an individual to transmit the individual's SSN over the Internet without a secure connection and encryption protection; (4) requiring an individual to use the individual's SSN to access an Internet web site, unless a password, unique personal identification, or other authentication device is also required; or (5) printing an individual's SSN on any material mailed, electronically mailed, or transmitted by facsimile to the individual, unless required by State or federal law.

The bill does not apply to: (1) the collection, release, or use of an SSN as required by State or federal law; (2) the inclusion of an SSN in an application form or document sent by mail under specified circumstances; or (3) the use of an SSN for internal verification or administrative purposes.

A person that uses an SSN prior to January 1, 2005 in a prohibited manner may continue to do so if: (1) the use is continuous; and (2) the person provides an annual disclosure form stating an individual's right to stop the use of the individual's SSN. An individual's request to stop using the individual's SSN in a prohibited manner must be honored within 30 days after receiving the request. A person may not deny products or services to an individual because of a request to stop using the individual's SSN. These grandfathering and related provisions terminate December 31, 2007.

The bill applies to all health insurance policies and contracts issued, delivered, or renewed on or after January 1, 2005. Health insurance policies or contracts in effect before January 1, 2005 must comply by January 1, 2006.

Current Law: The State, local governments, local school systems, and public institutions of higher education may not print an employee's SSN on any type of identification card. A local school system and a public institution of higher education may not print a student's SSN on any type of identification card. The Motor Vehicle Administration may not use, include, or encode, in any form, an individual's SSN on the individual's driver's license. Use of an individual's SSN is not prohibited in other instances.

Background: The Consumer Protection Division within the Office of the Attorney General is responsible for pursuing unfair or deceptive trade practice claims under the Maryland Consumer Protection Act. The division may attempt conciliation, issue cease

and desist orders, or seek action in court, including an injunction, to enforce the Maryland Consumer Protection Act.

Various sections of the Code require the use of an SSN, including various licensing requirements and, if the testator's SSN is available, the deposit of a will with the local register of wills. Use of an individual's SSN may also be required under federal law in certain instances, including in an application for federal student financial aid.

California recently adopted a provision similar to this bill.

State Fiscal Effect: Many of the State health plan cards, including the prescription and dental benefit cards, display a member's SSN. The cards are distributed by the State's contracting health plans. It is assumed that each plan currently using an SSN would switch all enrollees rather than administer two systems. Some of these cards are reissued on an annual basis; however, most of these are not. Approximately 182,800 cards currently issued to employees, retirees, and dependents would be affected by the bill because they are generally issued only once. The replacement cost per card is approximately \$0.50, representing a total replacement cost of \$91,400 in fiscal 2006, 80% of which (approximately \$73,100) would be borne by the State. State health plan expenditures assume a fund mix of 60% general funds, 20% federal funds, and 20% special funds; 20% of expenditures are reimbursable through employee contributions. In addition to the replacement of benefit cards, DBM would incur approximately \$60,000 to reprogram its computer system to exclude the SSN on all correspondence and other documents.

Small Business Effect: Small businesses that use the SSN for identifying information would experience increased costs to comply with the bill. These costs are expected to be one-time costs but could be significant depending on the nature of the business.

Additional Information

Prior Introductions: A similar bill, HB 692, was introduced during the 2003 legislative session and was referred by the Economic Matters Committee to interim study, and the committee held a briefing on the issue. Other similar bills, HB 134 and SB 621, were also introduced in 2003 but were withdrawn. Similar bills were also introduced in the 2002 (HB 281) and 2001 (HB 893) sessions. Both bills received unfavorable reports from the House Commerce and Government Matters Committee.

Cross File: None.

Information Source(s): Office of the Attorney General (Consumer Protection Division), Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

Fiscal Note History: First Reader - January 30, 2004
mam/mdr Revised - House Third Reader - April 5, 2004

Analysis by: Ryan Wilson

Direct Inquiries to:
(410) 946-5510
(301) 970-5510