

Department of Legislative Services  
Maryland General Assembly  
2007 Session

FISCAL AND POLICY NOTE

House Bill 1279 (Delegate Kach)  
Health and Government Operations

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**Health Insurance - Public Health Plans - Education and Disclosure Requirements**

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This bill requires licensed insurance producers to provide small employers with information about public health plans available in Maryland (including the Maryland Children's Health Program (MCHP) and Medicaid) at the time the small employer enrolls in a health benefit plan. As a condition of coverage, a small employer must agree to provide information about Maryland public health plans to eligible employees who elect not to be covered and have no other health insurance coverage.

The bill further specifies that the program of studies required for insurance producers must include a course on public health plans, the insurance producer licensing examination must determine an applicant's familiarity with public health plans, and licensed insurance producers must receive continuing education that relates to public health plans.

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**Fiscal Summary**

**State Effect:** To the extent the bill results in increased applications for Maryland's public health programs, particularly Medicaid and MCHP, expenditures for the Department of Health and Mental Hygiene (DHMH) and the Department of Human Resources (DHR) could increase by a potentially significant amount.

**Local Effect:** None.

**Small Business Effect:** Minimal. Small businesses would be required to provide information on public health plans to certain employees.

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## Analysis

**Current Law:** To qualify for a license as an insurance producer an applicant must successfully complete a program of studies and have been employed in a certain field during the three years preceding application for licensure. Each applicant must pass a personal written examination.

Several public health insurance programs are available in Maryland. Medicaid is a joint federal and State program that provides assistance to indigent and medically indigent individuals. An adult may qualify for Medicaid if the adult is: (1) aged, blind, or disabled; (2) in a family where one parent is absent, disabled, unemployed, or underemployed; or (3) a pregnant woman. Adults must also have very low incomes to qualify for Medicaid (about 46% of federal poverty guidelines (FPG)). MCHP covers children with family incomes up to 300% FPG and pregnant women with incomes up to 250% FPG. The Maryland Primary Adult Care Program (MPAC) provides primary care, pharmacy, and outpatient mental health benefits to individuals aged 19 and over with incomes up to 116% FPG. MPAC does not cover inpatient hospital, emergency room, or specialty care services.

**Background:** The Comprehensive Standard Health Benefit Plan (CSHBP) is a standard health benefit package (standard plan) that carriers must sell to small businesses (2-50 employees). Carriers must offer the standard plan to all small businesses, but may sell additional benefits or enhancements through riders. Riders must be offered and priced separately. CSHBP includes guaranteed issuance and renewal, adjusted community rating with rate bands, and no preexisting condition limitations. In order to maintain affordability, the average CSHBP premium rate per employee must remain below 10% of Maryland's average annual wage. The Maryland Insurance Administration and the Maryland Health Care Commission jointly regulate the small group market.

In 2005, approximately 51,000 small businesses provided insurance to 448,000 covered lives in the small group market at an average cost per employee of \$4,573. Although the number of employers and covered lives in the small group market has declined since their peak in 1998 and 1999, there are still 7,400 more employers and 45,000 more individuals covered than were prior to 1995.

**State Fiscal Effect:** To the extent the bill results in increased applications for Medicaid and MCHP, DHMH and DHR expenditures could increase significantly. Any actual increase cannot be reliably estimated at this time and would depend on the number of applicants and the number of applicants determined eligible for public health programs.

*For illustrative purposes only, if half of the small businesses participating in the small group market had only one individual apply for Medicaid, the local departments of social services would handle approximately 25,000 additional applications. If only 10% of those applicants were found eligible (2,500 adults), Medicaid expenditures could increase by \$11.9 million (50% general funds, 50% federal funds). In fiscal 2008, the annual cost per adult in Medicaid is \$4,775, while an MCHP child costs \$1,907.*

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 933 (Senator Astle, *et al.*) – Finance.

**Information Source(s):** Department of Budget and Management, Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

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