

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE

House Bill 124 (The Speaker)(By Request - Department of Legislative Services)

Economic Matters and Health and Government Operations

Finance

Maryland Insurance Administration - Program Evaluation

This bill requires an evaluation of the Maryland Insurance Administration (MIA) to be completed by July 1, 2018.

The bill takes effect July 1, 2011.

Fiscal Summary

State Effect: The required evaluation can be handled with existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background:

Maryland Program Evaluation Act

MIA is 1 of approximately 70 regulatory entities and activities currently subject to periodic evaluation under the Maryland Program Evaluation Act. The Act establishes a process better known as “sunset review” as *most* entities evaluated are also subject to termination. MIA, however, does not have a termination date in statute.

The sunset review process begins with a preliminary evaluation conducted by the Department of Legislative Services (DLS) on behalf of the Legislative Policy Committee (LPC). LPC decides whether to waive an entity from further (or full) evaluation. If waived, legislation to reauthorize the entity typically is enacted. Otherwise, a full evaluation usually is undertaken the following year.

MIA last underwent a full evaluation as part of sunset review in 2001. Chapter 317 of 2002 extended the administration's evaluation date under the Maryland Program Evaluation Act by 10 years to July 1, 2012, and required MIA to report to committees of the General Assembly regarding implementation of the recommendations contained in the evaluation report. MIA satisfied these reporting requirements and implemented many of DLS' recommendations.

Maryland Insurance Administration – History and Current Responsibilities

MIA was created in 1993 as an independent agency. In 1997, the Insurance Article, under which the Insurance Commissioner and MIA now operate, was created as a result of the recodification of laws under Article 48A.

The Insurance Commissioner heads the agency and is appointed by the Governor with the advice and consent of the Senate. The role of the Insurance Commissioner and MIA is to regulate the insurance industry in Maryland through enforcement of the State's laws and regulations governing insurance companies, health maintenance organizations (HMOs), producers, and related entities. Insurance is one of the most regulated industries in the State, with regulation encompassing the financial examination and licensing of insurance companies; review of rates, policies, forms, manuals, and endorsements; licensing of producers, advisors, and private review agents; and the investigation of consumer complaints and insurance fraud. MIA is entirely special funded through the collection of fees for various certificates, licenses, and services and assessments on insurers. The Governor's proposed fiscal 2012 budget for MIA operations is \$27,872,738.

Preliminary Evaluation Findings and Recommendations

A preliminary sunset evaluation conducted by DLS in 2010 found the following:

- MIA is meeting its statutory mandate to ensure the financial viability of insurers;
- in regards to complaint handling, MIA achieves or is close to achieving its stated goals;
- MIA continues to combat insurance fraud, with well over 100 cases referred for prosecution each year for the past decade; and

- MIA was accredited by the National Association of Insurance Commissioners in 1994 and has maintained accreditation since. Accreditation indicates that MIA has the policies and procedures in place, along with the resources, to ensure that Maryland's oversight of the insurance industry is robust.

Consequently, DLS recommended in its preliminary evaluation that LPC waive MIA from full evaluation.

However, significant changes in the area of health insurance are anticipated under federal health care reform. The Patient Protection and Affordable Care Act is intended to expand health care coverage, control health care costs, and improve the health care system. The new law has far-reaching implications for the states.

By 2014, the State must establish an American Health Benefit Exchange that facilitates the individual purchase of qualified health plans and includes a Small Business Health Options Program Exchange for small businesses. The State will need to enact legislation to establish the exchange. Key decisions to be made include governance and operating of the exchange, how many exchanges to establish, functions of the exchange, market considerations, participation by small businesses, required benefits, and financing.

While health care reform will impact the entire health care delivery system, the most immediate responsibilities for MIA include the implementation of new health insurance requirements such as new benefits, rating rules, and increased oversight of the insurance industry. As the State's insurance regulator, MIA is responsible for overseeing and enforcing many of the new federal and State insurance requirements. MIA will ensure that insurers are adhering to all of the new consumer protections in the federal law. It has already begun to do so for the protections that took effect on September 23, 2010.

At this time, the nature of MIA's involvement in the insurance exchange is still being determined. However, MIA will undoubtedly continue its insurance regulation duties into the expansion of the health insurance industry and implementation of reform requirements. Accordingly, DLS recommended that the next preliminary sunset evaluation occur in 2016, once the exchange has been operational for a period of time, to identify any issues MIA is experiencing related to federal health care reform. DLS also recommended that legislation be enacted to extend the board's evaluation date by six years to July 1, 2018, rather than the more standard 10-year timeframe. This bill reflects that recommendation, as adopted by LPC at its December 21, 2010 meeting.

Additional Information

Prior Introductions: None.

Cross File: SB 88 (The President)(By Request - Department of Legislative Services) - Finance.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services

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ncs/ljm

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