

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 821

(Senator Feldman)

Finance

Health and Government Operations

Maryland Insurance Administration - Professional Employer Organizations -
Study

This bill requires the Maryland Insurance Administration (MIA) to study professional employer organizations (PEOs) in the State. By December 31, 2024, MIA must report its findings to the House Health and Government Operations Committee and the Senate Finance Committee. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: MIA can conduct the required study using existing budgeted resources. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: In conducting the study, MIA must (1) identify and compare the regulation of PEOs under federal and State law and in other states; (2) review the history of PEO activities in the State and elsewhere and changes to the PEO industry over time; (3) review PEO health plans and plan benefit designs; (4) review requirements that businesses must meet to participate in PEO arrangements and access PEO health plans; (5) examine the regulatory structures for health insurance and PEOs in other states and under federal law that allow individuals who are co-employed through a PEO arrangement and have a workplace employer that is a small employer to participate in the PEO's large group plan;

and (6) address any potential impacts of proposed statutory changes in the State relating to the offering of health coverage by PEOs on the small group market.

Current Law: PEOs are not regulated under Maryland law.

Additional Comments: A PEO provides outsourced human resource management services to companies that do not have the resources or expertise to establish their own human resource departments. A PEO operates by establishing and maintaining a long-term employer relationship with a client's employees through co-employment agreements. The agreement contractually confers certain employer rights, responsibilities, and risks on the PEO that enable the PEO to pay wages and employment taxes and premiums out of its own accounts on behalf of the client. However, under the agreements, a PEO typically reserves the right of direction and control over covered employees, and retains the right to hire, reassign, and fire covered employees. This gives the PEO an opportunity to manage the risks it assumes through the co-employment agreement.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 827 (Delegate Qi, *et al.*) - Health and Government Operations.

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

Fiscal Note History: First Reader - February 14, 2024
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