

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 227

(Chair, Finance Committee)(By Request - Departmental -
Maryland Insurance Administration)

Finance

Health Insurance – Cancellation of Individual Health Benefit Plans – Restriction

This departmental bill limits the circumstances under which a carrier may terminate an individual health benefit plan. If a carrier receives a premium payment that is less than the “net monthly premium” due, the carrier must provide written notice of the insufficiency to the policyholder. A carrier may cancel a policy if the policyholder does not make a due net monthly premium payment more than three times in a policy year.

Fiscal Summary

State Effect: The bill does not directly affect governmental operations or finances.

Local Effect: None.

Small Business Effect: The Maryland Insurance Administration (MIA) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary: “Net monthly premium” means the amount an individual pays on a monthly basis for coverage under a health benefit plan after credit for an advanced premium tax credit (APTC) or a State subsidy, if any, is applied to the total monthly premium due to the carrier.

A carrier may not cancel an individual health benefit plan if (1) the policyholder has made a premium payment before the end of the grace period; (2) the amount of the premium

payment made is less than the aggregate amount of the net monthly premium due from the policyholder as of the date of payment; (3) the amount of the deficiency is \$10 or less; and (4) the policyholder pays the remainder of the net monthly premium due within 30 days after a required written notice is sent by the carrier.

Current Law: A carrier may not cancel or refuse to renew an individual health benefit plan except (1) for nonpayment of the required premiums; (2) fraud; (3) intentional misrepresentation of material fact under the terms of the coverage; (4) where the carrier elects not to renew all of its individual health benefit plans in the State; (5) where the individual no longer resides, lives, or works in the service area, as specified; or (6) for nongrandfathered health plans, where a carrier discontinues offering a particular product in the individual market, as specified. If a health benefit plan is canceled for nonpayment, the individual or family covered by the plan cannot obtain another individual plan until the next open enrollment period.

Federal regulations (45 CFR § 155.400) permit carriers to adopt a policy under which an enrollee is considered to have paid all premium amounts due if the enrollee has met a threshold of a percentage due (set by the carrier). If the threshold is met, the carrier may consider that the enrollee has paid in full and has not triggered a grace period or termination for nonpayment of premium.

Background: MIA advises that cancellation of individual health benefit plans has occurred when premium payments were short by a minor amount. Individuals receiving full premium assistance from the federal government through APTC may not realize that they are responsible for the payment of a separate \$1 to \$5 per month premium attributed to abortion care services that cannot be paid by the federal government. The bill makes the optional threshold policy permitted under federal regulations a requirement for carriers in the individual market, with the intent of protecting consumers from losing health insurance when the gap in payment is \$10 or less.

Additional Information

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

Designated Cross File: HB 240 (Chair, Health and Government Operations Committee)(By Request - Departmental - Maryland Insurance Administration) - Health and Government Operations.

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

Fiscal Note History: First Reader - January 22, 2024
km/ljm

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Health Insurance – Cancellation of Individual Health Benefit Plans –
Restriction

BILL NUMBER: SB 227

PREPARED BY: Jamie Sexton

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

There is no economic impact on small businesses associated with this proposal.