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Date: **January 25, 2024**

Bill # / Title: **House Bill 240 – Health Insurance – Cancellation of Individual Health Benefit Plans – Restriction**

Committee: **House Health and Government Operations**

Position: **Support**

The Maryland Insurance Administration (MIA) appreciates the opportunity to share its support of House Bill 240, which is a Departmental bill.

House Bill 240 protects consumers and carriers by limiting the circumstances in which an insurance carrier may terminate an individual health benefit plan - both on and off of the Health Benefit Exchange - due to a premium deficiency of $10 or less, 30 days after written notice.

While not a widespread issue, the MIA has encountered circumstances where policies have been terminated when premium payments were short by a minor amount - even as low as pennies. When policies are terminated due to non-payment, then the individual or family covered by the policy cannot obtain another individual policy until the next open enrollment period for the following January 1.

In 2022, 242,163 Marylanders were covered by individual health benefit plans; of these, 72.9% were sold on the Exchange. 45 C.F.R. § 155.400 permits Exchanges to allow carriers to implement a policy under which issuers can consider enrollees to have paid all amounts due if the enrollees have met a threshold, set by the carrier, of a percentage due. If the threshold is met, then the carrier may consider that the enrollee has paid in full, and not triggered a grace period or termination for nonpayment of premium. Carriers have inconsistent policies, and the option does not currently exist off of the Exchange. If a policyholder owes only a dollar, and the carrier's threshold is 2%, then a policyholder who mistakenly enters $0.10 into their bill payment screen would be terminated.

The Maryland Insurance Administration believes that setting a deficiency limit of $10 or less balances the practical and economic effects on consumers and carriers by:

1) Protecting consumers who inadvertently underpay their premium by a de minimis amount by preventing termination of their policy, under certain circumstances.
2) Protecting consumers who seek to cancel their policies by stopping payment by requiring that some payments be made.

3) Protecting carriers from having to keep a policy active even though premium payments have not been paid at all.
4) Protecting carriers by limiting how often and how long a shortage may occur.
5) The proposal seeks to ensure that the amount of the underpayment is minimal.

House Bill 240 intends to protect policyholders who have limited options if a policy lapses due to the limited times when enrollment in a new policy is permitted, while not unduly burdening carriers.

For these reasons, the MIA urges a favorable committee report on House Bill 240 and thanks the Committee for the opportunity to share its support.