
By: Delegates Redmer, Love, and Ports

Introduced and read first time: February 2, 1996

Assigned to: Economic Matters

Committee Report: Favorable

House action: Adopted

Read second time: March 13, 1996

CHAPTER ____

1 AN ACT concerning

2 Small Group Market Reform - Small Employer - Coverage for One Eligible Employee

3 FOR the purpose of altering the Maryland Health Care and Insurance Reform Act of
4 1993 to allow certain small employers to provide health insurance benefits under the
5 Act to only one eligible employee under certain circumstances.

6 BY repealing and reenacting, without amendments,
7 Article 48A - Insurance Code
8 Section 698(a)
9 Annotated Code of Maryland
10 (1994 Replacement Volume and 1995 Supplement)

11 BY repealing and reenacting, without amendments,
12 Article 48A - Insurance Code
13 Section 698(g)
14 Annotated Code of Maryland
15 (1994 Replacement Volume and 1995 Supplement)
16 (As enacted by Chapter 9, Section 2 of the Acts of the General Assembly of 1993)

17 BY repealing and reenacting, with amendments,
18 Article 48A - Insurance Code
19 Section 698(q)
20 Annotated Code of Maryland
21 (1994 Replacement Volume and 1995 Supplement)
22 (As enacted by Chapter 9, Section 2 of the Acts of the General Assembly of 1993)

2

1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
2 MARYLAND, That the Laws of Maryland read as follows:

3 **Article 48A - Insurance Code**

4 698.

5 (a) In this subtitle the following words have the meanings indicated.

6 (g) (1) "Eligible employee" means an employee who works on a full-time basis
7 and has a normal workweek of 30 or more hours.

8 (2) "Eligible employee" includes:

9 (i) A sole proprietor, a self-employed individual, a partner of a
10 partnership, and an independent contractor who is included as an employee under a
11 health benefit plan under this subtitle; and

12 (ii) A sole employee of a nonprofit organization, which has been
13 determined by the Internal Revenue Service to be exempt from taxation under §
14 501(c)(3), (4), or (6) of the Internal Revenue Code, who has a normal workweek of 20 or
15 more hours and is not covered under a public or private health insurance plan or other
16 health benefit arrangement.

17 (3) "Eligible employee" does not include an individual who works on a
18 temporary or substitute basis or for fewer than 30 hours in a workweek.

19 (q) (1) "Small employer" means:

20 (i) Any person, sole proprietor, firm, corporation, partnership, or
21 association actively engaged in business if:

22 1. On at least 50 percent of its working days during the
23 preceding calendar year, employed at least two but no more than 50 eligible employees;
24 and

25 2. The majority of the individuals described under item 1 of this
26 subparagraph are employed within the State; or

27 (ii) Any self-employed individual who:

28 1. Is an individual or sole proprietor who derives a substantial
29 portion of the individual's income from a trade or business through which the individual
30 or sole proprietor has attempted to earn taxable income and for which the individual has
31 filed the appropriate Internal Revenue Form 1040, Schedule C or F, for the previous
32 taxable year, a copy of which shall be filed with the carrier as proof of employment; or

33 2. Is an individual engaged in a licensed profession through a
34 professional corporation organized in accordance with Title 5, Subtitle 1 of the
35 Corporations and Associations Article and who received health benefits through a
36 professional association prior to July 1, 1994.

37 (2) "Small employer" includes:

3

1 (i) If the requirements of paragraph (1)(i)1 and 2 of this subsection
2 are satisfied, a local government body of:

3 1. A charter county established under Article 25A of the Code;

4 2. A code county established under Article 25B of the Code;

5 3. A board of county commissioners established or operating
6 under Article 25 of the Code; and

7 4. A municipal corporation established or operating under
8 Article 23A of the Code; and

9 (ii) A nonprofit organization, which has been determined by the
10 Internal Revenue Service to be exempt from taxation under § 501(c)(3), (4), or (6) of the
11 Internal Revenue Code, with at least one eligible employee.

12 (3) (i) A carrier may not impose a minimum participation requirement
13 for a small employer that is greater than 75 percent of eligible employees of the small
14 employer.

15 (ii) In applying minimum participation requirements with respect to a
16 small employer to determine whether the applicable percentage of participation is met, a
17 carrier may not consider eligible employees or dependents that have coverage under a
18 public or private health insurance plan or other health benefit arrangement, including
19 Medicare, Medicaid, and CHAMPUS, that provides benefits similar to or exceeding the
20 benefits provided under the comprehensive standard benefit plan.

21 (4) If the federal Employee Retirement Income Security Act is amended to
22 exclude employee groups under a specific size, notwithstanding paragraph (1)(i) of this
23 subsection, this subtitle shall apply to any employee group size that is excluded from that
24 federal Act.

25 (5) In determining the number of eligible employees who meet the
26 requirements under paragraph (1)(i) of this subsection, companies which are affiliated
27 companies or which are eligible to file a consolidated federal income tax return shall be
28 considered one employer.

29 (6) In determining the number of eligible employees who meet the
30 requirements under paragraph (1)(i) of this subsection, an employee may not be counted
31 who:

32 (i) Is otherwise covered under a public or private health insurance
33 plan or other health benefit arrangement; or

34 (ii) Is a part-time employee.

35 (7) Notwithstanding the provisions of paragraph (1)(i) of this subsection, in
36 otherwise satisfying the requirements of paragraph (1)(i) of this subsection, a small
37 employer that did not exist during the preceding calendar year shall, during its first year,
38 employ on at least 50 percent of its working days at least two but no more than 50 eligible
39 employees.

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1 (8) NOTWITHSTANDING PARAGRAPH (6)(I) OF THIS SUBSECTION, IN
2 OTHERWISE SATISFYING THE REQUIREMENTS OF PARAGRAPH (1)(I) OF THIS
3 SUBSECTION, A SMALL EMPLOYER IS ELIGIBLE TO BE OFFERED COVERAGE BY A
4 CARRIER UNDER THIS SUBTITLE IF:

5 (I) ALL BUT ONE OF THE ELIGIBLE EMPLOYEES OF THE SMALL
6 EMPLOYER ARE COVERED UNDER ANOTHER PUBLIC OR PRIVATE HEALTH BENEFIT
7 PLAN OR OTHER HEALTH BENEFIT ARRANGEMENT; AND

8 (II) ONLY ONE ELIGIBLE EMPLOYEE OF THE SMALL EMPLOYER IS
9 NOT COVERED UNDER ANY PUBLIC OR PRIVATE HEALTH BENEFIT PLAN OR OTHER
10 HEALTH BENEFIT ARRANGEMENT.

11 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
12 October 1, 1996.