

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 855 (Delegate Redmer)
Economic Matters

Health Insurance - Small Group Market - Rate Adjustments

This bill delays the narrowing of community rating bands for the standard comprehensive health benefit plan by one year.

The bill takes effect June 30, 1996.

Fiscal Summary

State Effect: General fund revenues could decrease by an indeterminate minimal amount in FY 1997, since the bill's requirements would delay the need for insurance companies to file rate and form changes. Expenditures would not be affected.

Local Effect: None.

Fiscal Analysis

Background: The Health Care and Insurance Reform Act of 1993 (Chapter 9) provided for a system of adjusted community rating for the small group market. Under a pure community rating system, everyone pays the same rate regardless of any conditions such as age or health status. Under Chapter 9, a health insurance carrier in the small group market is allowed to adjust the community rating for age and geography. The adjustments can only vary from the community rate based on the following schedule, which establishes a phase-in to a pure rating system by gradually narrowing the rating bands:

- 50% above or below the community rate on plans issued between July 1, 1994 and June 30, 1995;
- 40% above or below the community rate on plans issued between July 1, 1995 and June 30, 1996;

- 33% above or below the community rate on plans issued between July 1, 1996 and June 30, 1997; and
- 16% above or below the community rate on plans issued after July 1, 1997.

In addition, Chapter 9 requires the Insurance Commissioner to report on the feasibility and desirability of establishing a pure community rate or maintaining an adjusted community rate to the Governor and General Assembly by October 1, 1998.

The bill would delay the narrowing of community rating bands by one year. A 40% band would be applied for plans issued from July 1, 1995 through June 30, 1997 (rather than the June 30, 1996 ending date in current law). All subsequent adjustments would also be pushed back one year.

Information Source(s): Health Care Access and Cost Commission, Insurance Administration, Department of Fiscal Services

Fiscal Note History: First Reader - February 27, 1996

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