

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE

Senate Bill 496 (Senator Dorman, et al.)  
Finance

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**Small Group Market Reform - Small Employer - Public Entities**

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This bill alters the Health Care and Insurance Reform Act of 1993 by exempting public entities that have pooled together to purchase health insurance from the comprehensive standard health benefit plan.

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**Fiscal Summary**

**State Effect:** None. The bill does not directly affect State governmental operations or finances.

**Local Effect:** Expenditures for local jurisdiction employee health benefits could decrease by an indeterminate amount. Revenues would not be affected.

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**Fiscal Analysis**

**Background:** Under the Health Care Insurance and Reform Act of 1993 (Chapter 9), health insurance carriers are required to offer the comprehensive standard health benefit plan to “small employers”. Small employers offering health insurance to their employees can only purchase their health insurance from carriers meeting Chapter 9’s requirements. Chapter 501 of 1995 expanded the definition of “small employer” to include public entities.

The bill exempts public entities that have pooled together to purchase health insurance from the comprehensive standard health benefit plan. For example, the Local Government Insurance Trust (LGIT) was formed by the Maryland Association of Counties and the Maryland Municipal League to handle the insurance needs of local jurisdictions. LGIT sells health insurance to 65 public entities, 60 of which are municipalities. Of the 60 municipalities, approximately 75-80% are small groups of fewer than 50 employees.

**Local Expenditures:** Expenditures for local jurisdiction employee health benefits could decrease by an indeterminate amount because, under the bill's requirements, public entities that have pooled together to purchase health insurance are exempt from the comprehensive standard health benefit plan. This could result in lower health insurance expenditures for local governments (to the extent that local governments contribute towards employee health insurance premiums) because they could choose between insurance rates offered by carriers under the small group market or under a pooled arrangement, whereas under current law they must be offered small group market rates. Information is not readily available to reliably estimate any such effect.

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**Information Source(s):** Department of Health and Mental Hygiene (Health Care Access and Cost Commission), Insurance Administration, Maryland Municipal League, Local Government Insurance Trust

**Fiscal Note History:** First Reader - February 14, 1996

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