

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 957 (Delegate Busch, et al.)
Economic Matters

Referred to Finance

Health Insurance - Small Group Market

This enrolled bill freezes the narrowing of community rating bands in the comprehensive standard health benefit plan at 33% after June 30, 1996. It alters the content and due date of a report to be prepared by the Insurance Administration and the Health Care Access and Cost Commission. The bill also makes a technical correction to Chapter 501 of the Acts of 1995.

The bill takes effect July 1, 1996.

Fiscal Summary

State Effect: None. General fund revenues could decrease by an indeterminate minimal amount, since the bill's requirements would eliminate the need for insurance companies to file rate and form changes. The bill's requirements to report on narrowing of community rating bands could be handled with existing budgeted resources.

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.

The bill freezes the narrowing of rating bands at 33% above or below the community rate on plans issued after June 30, 1996. It also requires the Insurance Administration, in conjunction with the Health Care Access and Cost Commission, to report to the Governor and the General Assembly on the feasibility and desirability of requiring health insurance carriers to narrow the band to below 33% by October 1, 1998.

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

Fiscal Note History: First Reader - February 27, 1996
 ncs Revised - House Third Reader - March 26, 1996
 lc Revised - Enrolled Bill - April 23, 1996

Analysis by: Sue Friedlander Reviewed by: John Rixey	Direct Inquiries to: John Rixey, Coordinating Analyst (410) 841-3710 (301) 858-3710
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