
By: ~~Delegate Donoghue~~ Delegates Donoghue, Finifter, Mossburg, Pitkin, Bobo, Brinkley, Cadden, Conroy, DeCarlo, Dypski, Eckardt, Exum, Frank, Grosfeld, Healey, Howard, Hubbard, Hurson, Kach, Kagan, Klausmeier, Love, Marriott, Menes, Minnick, Morhaim, Nathan-Pulliam, Parker, Pendergrass, Perry, Petzold, Redmer, Turner, Walkup, Gordon, I. Love, V. Mitchell, Goldwater, Boston, Barve, Krysiak, Crumlin, Fulton, and Harrison

Introduced and read first time: January 15, 1997

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: February 25, 1997

CHAPTER ____

1 AN ACT concerning

2 Maryland Health Insurance Reform - Application to Self-Employed Individuals

3 FOR the purpose of altering the definition of self-employment under the Maryland
4 Health Insurance Reform Act to include an individual whose income is derived
5 from self-employment regardless of how the individual's business is organized
6 under certain circumstances; authorizing certain persons to request documentation
7 from certain persons for a certain purpose; providing for the effective dates of this
8 Act; providing for the application of this Act; and generally relating to small
9 employer group health insurance.

10 BY repealing and reenacting, with amendments,

11 Article 48A - Insurance Code

12 Section 698(q)(1)

13 Annotated Code of Maryland

14 (1994 Replacement Volume and 1996 Supplement)

15 BY adding to

16 Article 48A - Insurance Code

17 Section 698(q)(9)

18 Annotated Code of Maryland

19 (1994 Replacement Volume and 1996 Supplement)

20 BY adding to

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1 Article - Insurance
2 Section 15-1203(b)(4)
3 Annotated Code of Maryland
4 (1995 Volume and 1996 Supplement)
5 (As enacted by Chapter _____ (H.B. 11) of the Acts of the General Assembly of 1997)

6 BY repealing and reenacting, with amendments,
7 Article - Insurance
8 Section 15-1203(c)
9 Annotated Code of Maryland
10 (1995 Volume and 1996 Supplement)
11 (As enacted by Chapter _____ (H.B. 11) of the Acts of the General Assembly of 1997)

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

14 **Article 48A - Insurance Code**

15 698.

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

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

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

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

24 (ii) Any self-employed individual who:

25 1. [Is] A. LIVES, WORKS, OR RESIDES IN THIS STATE; AND

26 B. IS an individual or sole proprietor [who derives] OR IS
27 ORGANIZED IN ANY OTHER LEGALLY RECOGNIZED MANNER THAT A
28 SELF-EMPLOYED INDIVIDUAL MAY ORGANIZE SUCH THAT a substantial portion of
29 the individual's income IS DERIVED from a trade or business through which the
30 individual or sole proprietor has attempted to earn taxable income and for which the
31 individual has filed the appropriate Internal Revenue [Form 1040, Schedule C or F,]
32 FORM OR FORMS AND SCHEDULE for the previous taxable year, a copy of which shall be
33 filed with the carrier [as proof of employment]; or

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

1 (9) A CARRIER MAY REQUEST DOCUMENTATION FROM A PERSON TO
2 VERIFY THAT THE PERSON SATISFIES THE CRITERIA UNDER PARAGRAPH (1)(I),
3 (2)(I), (4), (5), (6), OR (7) OF THIS SUBSECTION TO BE CONSIDERED A SMALL
4 EMPLOYER UNDER THIS SUBTITLE.

5 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
6 read as follows:

7 **Article - Insurance**

8 15-1203.

9 (b) (4) A CARRIER MAY REQUEST DOCUMENTATION TO VERIFY THAT A
10 PERSON MEETS THE CRITERIA UNDER THIS SUBSECTION TO BE CONSIDERED A
11 SMALL EMPLOYER UNDER THIS SUBTITLE.

12 (c) An individual is considered a small employer under this subtitle if the
13 individual;

14 (1) LIVES, WORKS, OR RESIDES IN THE STATE; AND

15 (2) is a self-employed individual [or] ORGANIZED AS A sole
16 proprietorship OR IN ANY OTHER LEGALLY RECOGNIZED MANNER THAT A
17 SELF-EMPLOYED INDIVIDUAL MAY ORGANIZE:

18 (1) a substantial part of whose income derives from a trade or business
19 through which the individual has attempted to earn taxable income;

20 (2) who has filed the appropriate Internal Revenue [Form 1040,
21 Schedule C or F,] FORM for the previous taxable year; and

22 (3) for whom a copy of the APPROPRIATE Internal Revenue form OR
23 FORMS AND SCHEDULE has been filed with the carrier ~~as proof of employment.~~

24 SECTION 3. AND BE IT FURTHER ENACTED, That, notwithstanding the
25 provisions of Section 1 of this Act and Article 48A, § 698A of the Code, Article 48A,
26 Subtitle 55 of the Code does not apply to the renewal of any health benefit plan that was
27 issued prior to June 1, 1997 to a self-employed individual by an authorized insurer that
28 does not have any health benefit plan in force on or after June 1, 1997 that provides
29 coverage to a small employer (as that term is defined in Section 2 of Chapter 9 of the Acts
30 of the General Assembly of 1993), and any renewal of such plan is not a renewal of a
31 health benefit plan providing coverage to a small employer for any purpose under Article
32 48A, Subtitle 55 of the Code.

33 SECTION 4. AND BE IT FURTHER ENACTED, That, notwithstanding the
34 provisions of Section 2 of this Act and § 15-1202 of the Insurance Article, Title 15,
35 Subtitle 12 of the Insurance Article does not apply to the renewal of any health benefit
36 plan that was issued prior to October 1, 1997 to a self-employed individual by an
37 authorized insurer that does not have any health benefit plan in force on or after October
38 1, 1997 that provides coverage to a small employer (as that term is defined in Section 2 of
39 Chapter 9 of the Acts of the General Assembly of 1993 and revised and reenacted under
40 Chapter (H.B. 11) of the Acts of the General Assembly of 1997), and any renewal of

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1 such plan is not a renewal of a health benefit plan providing coverage to a small employer
2 for any purpose under Title 15, Subtitle 12 of the Insurance Article.

3 SECTION ~~2-~~ 5, AND BE IT FURTHER ENACTED, That Sections 1 and 3 of this
4 Act shall take effect ~~October~~ June 1, 1997.

5 SECTION 6. AND BE IT FURTHER ENACTED, That, except as provided in
6 Section 5 of this Act, this Act shall take effect October 1, 1997.