HB 213

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE
Revised

House Bill 213 (Delegate Donoghue)
Economic Matters | Referred to Finance

Health Insurance - Small Employer Groups - Health Benefit Plans

This enrolled bill specifies that the Maryland Health Insurance Reform Act is applicable to organizations that engage in employee leasing. It applies to employee leasing organizations located in Maryland or another state if they issue health benefit plans which cover Maryland residents who are considered eligible employees under the Act. Health benefit plans issued through organizations subject to regulation under the small group market may, with the consent of the carrier, have a common renewal date.

The Health Care Access and Cost Commission (HCACC), in conjunction with the Insurance Administration, must study ways to reduce health insurance administrative overhead for small employer organizations which lease employees. The study must include the feasibility and desirability of a common small group policy for these employers. HCACC must report its findings to the Senate Finance Committee and the House Economic Matters Committee by November 1, 1997.

The bill sunsets September 30, 1998.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues. The bill's requirements could be handled with existing resources.

Local Effect: None.

Small Business Effect: Minimal effect on small businesses as discussed below.

Fiscal Analysis

State Revenues: Employee leasing organizations are companies which provide employees to businesses on a long-term basis for a fee. Some small businesses may lease employees as a means to reduce operating costs. Currently, leasing companies which employ more than 50 employees would be able to purchase large group insurance policies regardless of the size of businesses to which they lease employees. Under this bill, employee leasing companies that offer health insurance and lease employees to small employers must offer at least the Comprehensive Standard Health Benefit Plan (CSHBP). Premiums on some policies would increase: (1) because qualified businesses that provide health insurance coverage to their employees are required to provide at least the coverage offered by the CSHBP and large employers are not subject to minimum coverage requirements; and (2) if the leasing company currently offers a health benefit plan to their employees and the coverage is less than the CSHBP. Although the number of leasing companies operating in the State cannot be reliably determined at this time, it is expected that the majority of them do not currently provide health insurance coverage to their employees. This means that any increase to premiums would be minimal and general fund revenues could increase by an indeterminate minimal amount in fiscal 1998 as a result of the State's 2% insurance premium tax. The State's premium tax is only applicable to "for-profit" insurance carriers.

In addition, general fund revenues could increase by an indeterminate minimal amount since the bill's requirements could subject insurance companies to rate and form filing fees. Each insurer (except HMOs) that revises its rates or amends its insurance policy must submit the proposed change(s) to the Insurance Administration and pay a $100 rate and/or form filing fee. The number of insurers who will file new rates and forms as a result of the bill's requirements cannot be reliably estimated at this time, since rate and form filings often combine several rate and policy amendments at one time.

Small Business Effect: This bill may increase costs to small businesses. Currently, leasing companies which employ more than 50 employees would be able to purchase large group insurance policies regardless of the size of businesses to which they "lease" employees. Under this bill, employee leasing companies that offer health insurance and lease employees to small employers must offer at least the Comprehensive Standard Health Benefit Plan (CSHBP). Premiums on some policies would increase: (1) because qualified businesses that provide health insurance coverage to their employees are required to provide at least the coverage offered by the CSHBP and large employers are not subject to minimum coverage requirements; and (2) if the leasing company currently offers a health benefit plan to their employees and the coverage is less than the CSHBP. In that event, the leasing company may pass some of the increased health insurance costs onto the employees or the small business through higher leasing rates, or both. The number of leasing companies operating in the State cannot be reliably estimated at this time, however, it is expected that the majority of leasing companies do not currently provide health insurance coverage to their employees.

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

Fiscal Note History: First Reader - February 5, 1997
brd
Revised - House Third Reader - March 17, 1997
Revised - Enrolled Bill - April 11, 1997

Analysis by: Lina Walker
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710