**HB 553**

# Department of Fiscal Services

Maryland General Assembly

## FISCAL NOTE
## Revised

House Bill 553 (Delegate Donoghue, *et al.*)
Economic Matters — Referred to Finance

**Health Insurance - Individual Market - Substantial, Available, and Affordable Coverage**

This enrolled bill authorizes the Health Care Access and Cost Commission (HCACC) to adopt regulations to develop a health insurance plan that will be offered in the nongroup market by "carriers" that qualify for the Substantial, Available, and Affordable (SAAC) discount. The plan will be exempt from mandated benefits. In addition, the plan must include uniform deductibles and cost-sharing, but the total cost-sharing that may be incurred by an individual in a year will be limited.

The bill will take effect July 1, 1997.

## Fiscal Summary

**State Effect:** Indeterminate decrease in general fund expenditures and increase in general fund revenues beginning in FY 1998.

**Local Effect:** Local health expenditures could decrease by an indeterminate amount. Revenues would not be affected.

**Small Business Effect:** Potential minimal effect on small businesses as discussed below.

## Fiscal Analysis

**State Effect:** The SAAC program was established to encourage underwriting practices to increase health insurance access to individuals and lower hospital uncompensated care. A carrier qualifies for SAAC by meeting certain requirements promulgated by the Health Services Cost Review Commission (HSCRC), which includes offering at least a minimum benefit package and open enrollment in the individual market. In return, the carrier gets a

SAAC discount of 4% off the HSCRC's hospital all-payor rates. Currently, four carriers receive the SAAC discount: Blue Cross Blue Shield of Maryland, Blue Cross Blue Shield of the National Capital Area, NyLCare, and Prudential. SAAC plans are currently subject to mandated benefits. Approximately 4,000 to 5,000 individuals are insured through SAAC.

Establishing a more comprehensive standard plan for SAAC could improve the level of health care received by some individuals currently insured through SAAC. Since there are currently a variety of benefit packages offered by carriers through SAAC, the extent of the improvement would vary depending on the package developed by HCACC. In addition, exempting the plan from mandated benefits and imposing a ceiling on an individual's cost-sharing contributions could make health insurance more affordable and thus more accessible for some uninsured individuals. Again, the extent of the increased access would depend on the benefit package developed by HCACC. In any event, the number of uninsured persons in Maryland could decrease, thereby decreasing the amount of uncompensated care. This could result in reduced expenditures for: (1) the Medicaid program and the State employee health benefit plan due to lower hospital rates; (2) health services funding to local health departments which serve the "grey-area" population (those who have too much income to be eligible for Medicaid but cannot afford health insurance); and (3) the Primary Care for the Medically Indigent program which serves those not eligible for Medicaid. The extent of the decrease, however, cannot be reliably estimated at this time.

If the bill increases the number of insured individuals in Maryland, insurance premiums collected by health carriers would increase. This means that general fund revenues would increase by an indeterminate amount in fiscal 1998 as a result of the State's 2% insurance premium tax, which is only applicable to "for-profit" insurance carriers. The extent of the increase cannot be reliably estimated without information on the coverage and cost of the benefit package to be developed by HCACC.

In addition, general fund revenues could increase by an indeterminate amount since insurance companies may be subject to rate and form filing fees. Each insurer (except HMOs) that revises its rates and amends its insurance policy must submit the proposed change(s) to the Insurance Administration and pay a $100 rate and 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.

**Local Expenditures:** Local health expenditures could decrease by an indeterminate amount to the extent that the bill results in fewer uninsured individuals in a jurisdiction.

**Small Business Effect:** Almost all plans offered in the nongroup market (except CSHBP) during non-open enrollment periods are medically underwritten, meaning that premiums would be dependent on the health status or claims experience of the individual. As a result, some individuals with a medical condition or high claims experience may face high health insurance premiums and may not be able to afford health insurance coverage. For those individuals who cannot afford the medically underwritten policies, they may be able to purchase health insurance coverage during the carrier's open enrollment periods (which is not subject to medical underwriting) or through the CSHBP if they qualify for the plan.

If the individual qualifies for the CSHBP, that individual has a choice between the open enrollment policy and the CSHBP; it is assumed that the individual would choose the more cost-effective option. For these self-employed individuals, the effect of the bill may be negligible. If the individual does not qualify for the CSHBP and has a SAAC health insurance policy, then the impact of this bill would vary depending on the package developed by HCACC and the coverage they currently receive through SAAC plans. Additionally, the bill could positively impact those individuals who are currently uninsured. By exempting the plan from mandated benefits and imposing a ceiling on the individual's cost-sharing contributions, health insurance may be more affordable and thus more accessible for some uninsured individuals.

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**Information Source(s):** Insurance Administration; Department of Health and Mental Hygiene (Health Care Access and Cost Commission, Health Services Cost Review Commission, Medical Care Policy Administration); Department of Budget and Management; Department of Fiscal Services

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