

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 86 (Delegate Mossburg, *et al.*)
Economic Matters

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

This bill expands the definition of self-employed individuals for eligibility purposes under the Maryland Health Insurance Reform Act to include self-employed persons who receive wages from an S corporation treated as earned income (sole employees of a corporation).

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues and decrease in general fund expenditures.

Local Effect: Indeterminate minimal decrease in local expenditures for health services. Revenues would not be affected.

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

Fiscal Analysis

State Revenues: General fund revenues could increase by an indeterminate minimal amount in fiscal 1998 as a result of the State's 2% insurance premium tax on health insurance premiums. 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 in fiscal 1998 since the bill's requirements could subject insurance companies to rate and form filings. Each insurer (with the exception of health maintenance organizations) that amends its insurance policy must submit the proposed change to the Insurance Administration and pay a \$100 form filing fee. Further, each insurer (with the exception of health maintenance organizations) that revises its rates must submit the proposed rate change to the Insurance Administration and pay a \$100 rate filing fee. The number of insurers who will file new

forms and rates 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.

State Expenditures: In the last quarter of 1995, 61,300 businesses in Maryland (incorporated and unincorporated) had one to four employees. It is not known how many of these businesses have only one employee and are affected by this bill. In any event, the number of uninsured persons in Maryland could decrease as a result of this bill, thereby decreasing the cost of: (1) hospital uncompensated care and Medicaid Assistance Program costs 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 medical assistance but cannot afford to purchase health insurance); and (3) the Primary Care for the Medically Indigent Program, which serves indigent adults with medical disabilities who are not eligible for medical assistance. Any decrease cannot be reliably estimated at this time, although it is assumed to be minimal.

Local Expenditures: Local health expenditures could decrease by an indeterminate minimal amount to the extent that the bill's requirements result in fewer uninsured individuals in a jurisdiction.

Small Business Effect: This bill would increase access to health insurance for an indeterminate number of self-employed individuals. These individuals will be able to purchase health insurance at a lower cost as a result of the bill. The savings to the self-employed individual will vary depending on their particular health status.

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

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