

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 988 (Delegate Redmer, *et al.*)
Economic Matters

Health Insurance - Small Employer Groups - Eligibility After Downsizing

This bill specifies that a person who was previously considered a small employer for eligibility purposes under the Maryland Health Insurance Reform Act will continue to be eligible under the Act if the person had previously purchased the Comprehensive Standard Health Benefit Plan (CSHBP) and subsequently eliminated all but one employee.

Fiscal Summary

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

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

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

Fiscal Analysis

State Revenues: Currently, small employers can purchase the CSHBP if they employ between two and 50 qualified employees. If the employer ends up losing all but one employee, the small employer is no longer eligible to purchase the CSHBP. As a result of the bill, that single employee will now have access to the CSHBP. It is uncertain how many more individuals would be able to purchase health insurance through the CSHBP because there are insufficient data on the number of employers currently losing eligibility due to eliminating all but one employee, although it is expected to be minimal. This means that 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 insurance companies that do not already provide the coverage mandated by the bill's requirements will 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/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.

State Expenditures: Since access to health insurance may increase as a result of this bill, 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. Any such 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 results in fewer uninsured individuals in a jurisdiction.

Small Business Effect: Currently, small employers can purchase the CSHBP if they employ between two and 50 qualified employees. If the employer ends up losing all but one employee, the small employer is no longer eligible to purchase the CSHBP. As a result of the bill, that single employee will now have access to the CSHBP. These individuals may be able to purchase health insurance at a lower cost. The savings to these individuals will vary depending on their 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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