

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 1358 (Delegate Busch, *et al.*)
Economic Matters

Referred to Finance

Maryland Health Insurance Portability and Accountability Act

This amended bill establishes health insurance reform in the individual and group market consistent with the provisions of the federal Health Insurance Portability and Accountability Act. The bill applies to health insurers, nonprofit health service plans, and HMOs (carriers) that offer individual and group coverage.

Fiscal Summary

State Effect: General fund revenues could increase by an indeterminate amount. The bill's requirements could be handled with existing resources.

Local Effect: Expenditures for local jurisdiction employee health benefits could increase by an indeterminate amount. Revenues would not be affected.

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

Fiscal Analysis

Bill Summary: Under an individual contract, a carrier must offer health insurance products to all eligible individuals without limiting coverage for pre-existing conditions.

An eligible individual is defined as an individual who (1) has had 18 months or more of creditable coverage from a group plan, governmental plan, or church plan; (2) is not otherwise eligible for Medicare and does not have health insurance coverage; (3) was not terminated from a health plan for failure to pay premiums or fraud; and (4) has elected COBRA continuation coverage and has exhausted that coverage. In addition, a period of creditable coverage shall not be counted, if after that period, there was a lapse in insurance coverage for at least 63 days.

A carrier may not offer any individual health insurance plan in the State unless the carrier offers the policies specified in the bill.

A carrier may not establish rules for eligibility of an individual to enroll under a large group health benefit plan based on any health status-related factor. In addition, a carrier may not require an individual member of a large group plan to pay a premium/contribution that is greater than the premium/contribution for a similarly situated individual based on any health status-related factor.

In addition, health carriers that provide coverage to individuals, small employer groups, and large employer groups must provide written certification of creditable coverage in connection with the health plan when the insured individual ceases to be covered by the health benefit plan or a COBRA continuation provision, or if requested by the individual within 24 months after the date of cessation of the health benefit coverage.

Beginning in 1999, the Insurance Commissioner must report, by December 1 each year, to the Senate Finance Committee and the House Economic Matters Committee regarding the effect of the bill on rates in the individual health insurance market, and any proposed changes to existing law.

The provisions relating to large group contracts, except for the requirement regarding certification of creditable coverage, take effect July 1, 1997, while the provisions affecting small employer groups take effect October 1, 1997. The requirements pertaining to guaranteed issue, guaranteed renewal, and preexisting conditions with respect to eligible individuals must be implemented no later than January 1, 1998. Otherwise, the bill takes effect June 1, 1997.

State Revenues: This bill may improve portability of health insurance coverage for individuals. As a result of increased insurance coverage, premiums collected by carriers could increase. Consequently, general fund revenues could increase by an indeterminate 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 if carriers have to file new rates and forms to the Insurance Administration and pay a \$100 rate and/or form filing fee.

State Expenditures: Since the State employee health benefit plan already complies with the requirements of the bill, expenditures would not be affected. Carriers are required to provide written evidence of creditable coverage, although carriers may charge a fee to cover the cost of the disclosure. Therefore, there should be no effect on the State employee health benefit plan.

Although workload for the Insurance Administration may increase as a result of this bill, it is assumed that the bill's requirements could be handled with existing resources.

Small Business Effect: To the extent that this bill would improve portability of health insurance, some self-employed individuals would be positively impacted.

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

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