

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE  
Revised

Senate Bill 69 (Senators Boozer and Teitelbaum)  
Finance

Referred to Economic Matters

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**Small Employer Group Health Insurance - Small Employer - Definition**

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This amended bill modifies the definition of a self-employed individual for eligibility purposes under the Maryland Health Insurance Reform Act. A self-employed person includes an individual who resides or works in Maryland and is organized as a sole proprietorship or in any legally recognized manner that a self-employed individual may organize. If the health benefit plan is issued to a self-employed individual prior to the effective date of this amended bill by an authorized insurer/carrier and the insurer/carrier subsequently does not offer a health benefit plan for small employers, then the health benefit plan at renewal is no longer a qualified plan for small employers. The bill also specifies that the carrier may request documentation verifying the person meets the criteria of a small employer.

The bill will take effect June 1, 1997.

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**Fiscal Summary**

**State Effect:** Potential minimal increase in general fund revenues and decrease in general fund expenditures beginning in the last month of FY 1997.

**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.

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## Fiscal Analysis

**Background:** Chapter 501 of the Acts of 1995 extended eligibility for the comprehensive standard health benefit plan (CSHBP) to the self-employed. This bill closes a loophole in the definition of a self-employed individual.

**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 beginning in fiscal 1997 since the bill's requirements could subject insurance companies to rate and form filings. Each insurer (except HMOs) that 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 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 beginning in fiscal 1997, 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 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's requirements result in fewer uninsured individuals in a jurisdiction.

**Small Business Effect:** This bill increases 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.

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**Information Source(s):** Insurance Administration, Department of Health and Mental

Hygiene (Health Care Access and Cost Commission), Department of Fiscal Services

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ncs Revised - Senate Third Reader - March 17, 1997

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Analysis by: Lina Walker

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710