

Department of Legislative Services  
Maryland General Assembly  
1999 Session

FISCAL NOTE  
Revised

House Bill 918 (Delegate Redmer. *et al.*)

Economic Matters

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Health Benefit Plans - Small Employers - Rates

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This bill changes the amount that health insurance carriers may charge to small employers. Current law allows a carrier to charge a rate that is 33% above or below the community rate. The bill changes the amount to 40% above or below the community rate.

This bill is effective June 1, 1999.

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Fiscal Summary

**State Effect:** Special and general fund revenues could increase by an indeterminate minimal amount.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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Fiscal Analysis

**State Revenues:** Special fund revenues could increase by an indeterminate minimal amount in fiscal 1999 and 2000 because carriers may be subject to rate and form filing fees. Each affected carrier that revises its rates and amends its insurance policy must submit the proposed change(s) to the Maryland Insurance Administration (MIA) and pay a \$125 rate and form filing fee.

General fund revenues could increase by an indeterminate minimal amount in fiscal 2000 as a result of the State's 2% insurance premium tax on increased premiums. The State's premium tax is applicable only to for-profit insurance carriers.

**Small Business Effect:** The Health Care Access and Cost Commission (HCACC) administers the Comprehensive Standard Health Benefit Plan for Small Businesses. Under this plan, carriers are not allowed to determine premiums based on the claims experience or employee health status of any particular small employer. Instead, carriers pool the claims experience of all their small businesses, and the carriers determine the "community" rate based on this pool. The only factors for which a carrier may adjust its rate are employees' average age and the geographical location of the business. The bill changes the cap on this adjustment from 33% to 40% above or below the community rate.

Consequently, carriers may increase premiums as a result of the bill, although any increase is expected to be minimal. HCACC's figures for 1995 - 1997 show that small employer group premiums averaged about 84% of the cap within any given year. Carriers are not expected to increase rates significantly due to other factors such as trying to gain more market share rather than increase profitability.

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**Information Source(s):** Department of Health and Mental Hygiene (Health Care Access and Cost Commission), Maryland Insurance Administration, Department of Legislative Services

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| <b>Fiscal Note History:</b> | First Reader - March 2, 1999                  |
| mld/jr                      | Revised - House Third Reader - March 29, 1999 |
|                             | Revised - Enrolled Bill - April 29, 1999      |

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