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By: Delegate Donoghue

Introduced and read first time: February 2, 2001 Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2

Small Group Health Insurance - Premium Rates for Health Benefit Plans

3 FOR the purpose of authorizing insurance carriers to offer a discount in rates for

- 4 health benefit plans based on reduced claim expenses under certain
- 5 circumstances; requiring the discount in rates to be supported by actuarial
- 6 principles and approved by the Insurance Commissioner; and generally relating
- 7 to premium rates for health benefits plans under small group health insurance.

8 BY repealing and reenacting, with amendments,

- 9 Article Insurance
- 10 Section 15-1205
- 11 Annotated Code of Maryland
- 12 (1997 Volume and 2000 Supplement)

13 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

14 MARYLAND, That the Laws of Maryland read as follows:

15

Article - Insurance

16 15-1205.

17 (a) (1) In establishing a community rate for a health benefit plan, a carrier

18 shall use a rating methodology that is based on the experience of all risks covered by

19 that health benefit plan without regard to health status or occupation or any other

20 factor not specifically authorized under this subsection.

- 21 (2) A carrier may adjust the community rate only for:
- 22 (i) age; and
- 23 (ii) geography based on the following contiguous areas of the State:
- 1. the Baltimore metropolitan area;
- 25 2. the District of Columbia metropolitan area;

2	HOUSE BILL 516				
1	3	. Wester	n Maryland; and		
2	4	. Eastern	and Southern Mary	land.	
3 (3) Rates for a health benefit plan may vary based on family composition 4 as approved by the Commissioner.					
5 (b) A carrier shall apply all risk adjustment factors under subsection (a) of this 6 section consistently with respect to all health benefit plans that are issued, delivered, 7 or renewed in the State.					
8 (c) Based on the adjustments allowed under subsection (a)(2) of this section, a 9 carrier may charge a rate that is 40% above or below the community rate.					
10 (d) (1) A carrier shall base its rating methods and practices on commonly 11 accepted actuarial assumptions and sound actuarial principles.					
12 (2) A carrier that is a health maintenance organization and that includes 13 a subrogation provision in its contract as authorized under § 19-713.1(d) of the 14 Health - General Article shall:					
15 16 subrogation; and	(i) u	se in its rating	methodology an adju	ustment that reflects the	
17 18 in a form approved				ministration, and annually rough subrogation.	
 19 (E) (1) NOTWITHSTANDING SUBSECTION (A) OF THIS SECTION, A CARRIER 20 MAY OFFER A DISCOUNT IN RATES FOR HEALTH BENEFIT PLANS BASED ON 21 REDUCED CLAIM EXPENSES THAT RESULT FROM: 					
22 23 THAT IS LOWER				SE BY COVERED EMPLOYEES S OF THIS STATE; OR	
 24 (II) ANY OTHER BEHAVIOR BY COVERED EMPLOYEES THAT HAS 25 BEEN DEMONSTRATED TO REDUCE THE FREQUENCY OR COMPLEXITY OF MEDICAL 26 CARE. 					
27 (2) 28 BE:	ANY DIS	COUNT IN RA	ATES OFFERED UN	NDER THIS SUBSECTION SHALL	
29	(I) S	SUPPORTED B	SY ACTUARIAL PR	RINCIPLES; AND	
30	(II) A	APPROVED BY	Y THE COMMISSI	ONER.	
31 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect 32 October 1, 2001.					