

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 1050 (Delegate Redmer)
Economic Matters

Health Insurance - Small Employer Group Market - Affordability Cap

This bill changes the affordability cap for the Comprehensive Standard Health Benefit Plan (CSHPB) offered to small employers from 12% to 10% of Maryland average annual wage.

Fiscal Summary

State Effect: The bill's provisions could be handled with existing budgeted Maryland Health Care Commission resources.

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Current Law: The CSHBP's affordability cap is 12% of Maryland's average annual wage.

Background: The CSHBP was established in 1994 as a result of health care reforms adopted by the General Assembly to provide better access to coverage in the small group market. The CSHBP is a standard health benefit package that carriers must sell to small businesses (fewer than 50 employees). The CSHBP includes guaranteed issuance and renewability, adjusted community rating with rate bands, and the elimination of pre-existing condition limitations. In order to maintain affordability, the average CSHBP premium rate per employee must remain below 12% of Maryland's average annual wage. In 1999 Maryland's average wage was \$34,470, resulting in a premium affordability cap

of \$4,136 per employee. In 1999 the average cost per employee was \$3,648, or 88.19% of the affordability cap.

An actuarial report on the CSHBP estimates that premiums will continue to rise significantly faster than wages in 2000 and 2001. Projected 2001 financial results indicate that the average premium will hit 97.5% of the affordability cap. In anticipation of increasing premium rates, the Maryland Health Care Commission (MHCC) has revised the standard benefit structure of the CSHBP to make it more affordable to small group employers. After the changes to the CSHBP have been implemented on July 1, 2001, the MHCC projects that 2001 average premium rates should be approximately 89.4% of the affordability cap. Assuming an average annual wage of \$37,394 in 2001, projected 2001 premium rates will be \$4,011 and will exceed a 10% affordability cap of \$3,739 by approximately 7%.

State Effect: If the average premium rate per employee exceeds the affordability cap, the MHCC must exclude or limit benefits or adjust cost-sharing requirements of the CSHBP to reduce premiums. The MHCC annually analyzes and adjusts the CSHBP package to ensure comprehensive coverage and affordability; therefore, any additional changes necessitated by the bill could be handled with existing budgeted resources.

Small Business Effect: If the average premium rate per employee exceeds the affordability cap, the MHCC must change the CSHBP package to reduce rates. Any changes may limit or omit certain benefits, or may impose higher cost-sharing requirements on small business employees. Changing the affordability cap from 12% to 10% could require the MHCC to modify the CSHBP sooner than anticipated.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): *Annual Review of the Comprehensive Standard Health Benefit Plan* (October 25, 2000), Maryland Health Care Commission, Maryland Insurance Administration, Department of Legislative Services

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