

**Department of Legislative Services**  
Maryland General Assembly  
2001 Session

**FISCAL NOTE**

House Bill 517 (Delegate Donoghue)  
Economic Matters

---

**Health Insurance - Small Group Market - Health Benefit Plan with High Deductible**

---

This bill requires the Maryland Health Care Commission (MHCC) to adopt regulations that specify a modified health benefit plan with a high deductible. The modified health benefit plan does not have to be offered in combination with a medical savings account.

---

**Fiscal Summary**

**State Effect:** Minimal general fund revenue reduction from the State's 2% insurance premium tax on for-profit carriers if carriers reduce their premiums as a result of the bill's requirements. Minimal special fund revenue increase in FY 2002 for the Maryland Insurance Administration from the \$125 rate and form filing fee.

**Local Effect:** None.

**Small Business Effect:** Meaningful.

---

**Analysis**

**Current Law:** The MHCC adopts regulations that specify: (1) the Comprehensive Standard Health Benefit Plan (CSHBP); and (2) a modified health benefit plan for medical savings accounts (MSAs) that qualify under the federal Health Insurance Portability and Accountability Act of 1996 including: (a) a waiver of deductibles as permitted under federal law; (b) a minimum funding standard for MSAs; and (c) authorization to offer the modified plan only by those persons who offer the CSHBP.

**Background:** Chapter 400 of 2000 required the MHCC to study the feasibility and desirability of offering a high deductible health benefit plan for small employers. In its annual report on the CSHBP, the MHCC studied five different high deductible scenarios, with deductibles ranging from \$500 to \$2,500 per individual and \$1,000 to \$5,000 per family. The MHCC noted that creating a high deductible plan with extremely high deductibles (such as \$2,500 per individual) could make employees' out-of-pocket costs prohibitively expensive, leading to enrollees and their families avoiding necessary health care. In addition, high deductibles could contribute to uncompensated care on hospital admissions.

The MHCC adopted higher deductibles for the CSHBP that require a \$400 to \$1,000 deductible per individual and \$800 to \$2,000 deductible per family starting July 1, 2001. The MHCC's actuarial consultant estimates that these higher deductibles would provide an overall premium savings of 4.4%.

**Small Business Effect:** Small businesses that choose to purchase a high deductible benefit plan instead of the CSHBP could save money on insurance premiums. A high deductible plan could encourage more small businesses to purchase health insurance for their employees. However, if deductibles are set too high, employees may not be able to afford health care and could avoid getting necessary health care.

---

### **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, Department of Legislative Services

**Fiscal Note History:** First Reader – February 12, 2001  
cm/jr

---

Analysis by: Susan D. John

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 946-5510  
(301) 970-5510

