

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

**FISCAL NOTE**  
**Revised**

Senate Bill 458                      (Senators Bromwell and Van Hollen)

Finance

Economic Matters

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**Health Insurance - Substantial, Available, and Affordable Coverage**

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This bill requires an insurer, nonprofit health service plan, dental plan organization, or HMO (carrier) that denies coverage under a medically underwritten health benefit plan to an individual in the nongroup market to provide the individual with specific information on the availability of Substantial, Available, and Affordable Coverage (SAAC). The Insurance Commissioner must adopt regulations implementing the bill's requirements and develop a mechanism to inform individuals, upon request, about the availability of the SAAC product.

A carrier that offers a SAAC product must notify the Commissioner in writing of its SAAC open enrollment periods for each calendar year. A carrier that offered a SAAC product on January 1, 2001 may continue to offer it to individuals in the nongroup market and the SAAC product will be deemed in continued compliance with the insurance law.

The bill's provisions relating to SAAC products offered on January 1, 2001 sunset June 30, 2003.

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**Fiscal Summary**

**State Effect:** Promulgating regulations and responding to information requests on the SAAC product could be handled with existing Maryland Insurance Administration budgeted resources. No effect on revenues.

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

**Current Law:** A carrier that offers a SAAC product to a high-risk individual receives a 4% differential on regulated hospital charges.

**Background:** The SAAC product was established in 1974 as a means of encouraging health insurance carriers to insure individuals with preexisting medical conditions. Insuring these individuals through the SAAC product reduces uncompensated care at hospitals and thus reduces the hospitals' costs.

Carriers who offer the SAAC product currently receive a 4% differential on regulated hospital charges. The SAAC product is budget-neutral for a hospital, because a carrier who offers the SAAC product is allowed to pay 4% less on its hospital charges for its entire enrolled population (i.e., not just on SAAC enrollees). Carriers who do not offer a SAAC product are charged more for hospital charges. In 1998 the Health Services Cost Review Commission (HSCRC) raised serious concerns about whether the SAAC products reduction of uncompensated hospital care was commensurate with the differential earned by carriers. For example, CareFirst earned \$31 million as a result of the 4% differential; however, HSCRC determined that CareFirst only averted \$3.9 million in uncompensated hospital care costs.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Health and Mental Hygiene (Health Services Cost Review Commission, Maryland Health Care Commission), Maryland Insurance Administration, Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

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