

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 1144
Economic Matters

(Delegate Baldwin)

Health Insurance - Coverage Offered to Small Employers - Open Enrollment

This bill requires a health insurer, nonprofit health service plan, or HMO (carrier) to establish an annual open enrollment period for at least 30 consecutive days in each 6-month period for self-employed individuals and small employers who have fewer than 10 eligible employees. A carrier cannot deny coverage to a small employer who has fewer than 10 employees if the small employer is transferring from one carrier to another without a break in coverage and the coverage has been in effect for at least 12 months prior to the date of transfer.

Fiscal Summary

State Effect: The bill's requirements could be handled with existing Maryland Insurance Administration (MIA) budgeted resources.

Local Effect: None.

Small Business Effect: Potential meaningful. The bill's provisions would reduce the protections for small employers who have fewer than ten eligible employees by limiting them to applying for coverage only during certain open enrollment periods.

Analysis

Current Law: A small employer (with the exception of self-employed individuals) can apply to any carrier in the small group market at any time and receive a guarantee issued contract. A carrier must establish an annual open enrollment period for self-employed individuals for at least 30 consecutive days in each 6-month period. A carrier cannot deny coverage to a self-employed individual who applies for a health benefit plan at a time other than the carrier's annual open enrollment period.

Background: The Comprehensive Standard Health Benefit Plan (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. CSHBP is a standard health benefit package that carriers must sell to small businesses (fewer than 50 employees). CSHBP includes guaranteed issuance and renewability, adjusted community rating with rate bands, and the elimination of pre-existing condition limitations.

As the following chart shows, Maryland's percentage of firms with fewer than ten employees that offer health insurance coverage is significantly higher than the national average.

**Percentage of Firms that Offer Health Insurance Coverage, By Firm Size
U.S. and Maryland, 1999**

<u>Number of Employees</u>	<u>U.S.</u>	<u>Maryland</u>
Fewer than 10	39%	51
10 to 24	70%	72
25 to 99	86%	89
100 to 999	95%	100

January 2001. Agency for Healthcare Research and Quality, Rockville, MD.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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