

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

Senate Bill 888

(Senator Bromwell)

Finance

Economic Matters

Health Insurance - Small Group - Open Enrollment Period

This bill changes the frequency of open enrollment periods offered to self-employed individuals in the small group market. A health insurer, nonprofit health service plan, or HMO (carrier) that offers coverage to a small employer must establish one annual open enrollment period for self-employed individuals in each 12-month period, rather than in each 6-month period as currently required. In addition, the bill repeals the provision that a carrier may 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.

Fiscal Summary

State Effect: Any necessary revision of regulations could be handled with existing Maryland Insurance Administration (MIA) budgeted resources. No effect on revenues.

Local Effect: None.

Small Business Effect: Minimal. The bill's reduction of open enrollment periods for self-employed individuals could reduce the number of individuals who purchase insurance only when they know they are likely to need medical services. Accordingly, overall insurance premium rates in the small business market could decrease.

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 open enrollment period for self-employed

individuals for at least 30 consecutive days in each 6-month period. A carrier may deny coverage to a self-employed individual who applies for a health benefit plan at any time other than the carrier's open enrollment period. If a carrier permits a self-employed individual to enroll in a health benefit plan at a time other than the open enrollment period, the self-employed individual is deemed a "late enrollee" and may be subject to preexisting condition clauses.

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 preexisting condition limitations.

Chapter 388 of 2001 required an independent evaluation of Maryland's small group market. This study required an examination of the existing delivery system as well as the CSHBP compared to similar small group markets in other states. The report was issued on February 19, 2002. One of the recommendations of the independent evaluation was that with respect to so-called "groups of one," the present open enrollment policy should be changed so that insurers offer open enrollment to these groups only once per year rather than twice per year.

Additional Information

Prior Introductions: None.

Cross File: HB 1427 (Delegate Busch, *et al.*) – Economic Matters.

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

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