

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 939
Economic Matters

(Delegate Kach, *et al.*)

Health Insurance - Mandated Benefits - Exclusion from Policies

This bill permits an insurer or nonprofit health service plan (carrier) to offer a limited benefits health insurance policy that excludes mandated health benefits from coverage. Limited benefits policies may not exceed 10% of the total health benefit policies issued by a particular carrier.

Fiscal Summary

State Effect: Minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from MIA's \$125 rate and form filing fee. No effect on expenditures.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: A carrier must provide a prospective policyholder a written statement that: (1) discloses that mandated health benefits are not covered by the limited benefits policy; and (2) lists and describes each mandated benefit that is not covered. A carrier must obtain a signed written statement from the prospective policyholder that acknowledges the disclosure statement was provided and the extent of the coverage under the limited benefits policy was understood by the individual.

Current Law: Maryland's insurance law currently has 39 required health insurance benefits for services. These are benefit mandates or required offerings that insured health plans are required to include. Mandated health benefits do not apply to self-funded insurance plans or the Comprehensive Standard Health Benefit Plan (CSHBP) sold in the small group market. The State Employee Health Benefits Plan, which provides health benefits to State employees, retirees, and their eligible dependents, is exempt from offering mandated health benefits; however, it has generally done so in the past.

Chapter 582 of 1999 requires the Maryland Health Care Commission (MHCC) to determine, on an annual basis, the cost of mandated health insurance services in Maryland. MHCC must submit an annual report evaluating any mandated benefit enacted, legislatively proposed, or otherwise submitted to MHCC by a member of the General Assembly prior to July 1 of that year. If MHCC determines that the cost of all mandated benefits exceeds 2.2% of Maryland's average annual wage, MHCC must evaluate the social, medical, and financial impact of *all existing* mandated benefits and submit a report to the General Assembly by October 1 of the following year.

Background: According to MHCC's most recent report on mandated health benefits in Maryland, the full cost of existing mandates is just under 2.1% of Maryland's average annual wage, which is below the statutory affordability cap of 2.2% of average wages.

Small Business Effect: Self-employed individuals may choose to purchase limited benefits plans in the individual market at lower premiums. To the extent healthy self-employed individuals leave the small group market; premiums in the small group market could increase.

Required Reimbursements of Institutions and Health Care Providers: The bill's provisions permit a carrier to issue a limited benefits plan that is exempt from current law provisions requiring a carrier to pay certain institutions such as private or State hospitals, for treatment of tuberculosis, mental illness, or another illness covered under the insurance policy. In addition, a carrier could limit or deny reimbursement to specialists for services rendered that another health care provider could have performed. To the extent limited benefit plans limit or deny reimbursements to institutions or health care providers, institutions' and providers' uncompensated care expenses could increase.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): *Maryland Health Insurance Services Evaluation* (December 20, 2001), Maryland Health Care Commission; Department of Health and Mental Hygiene (Medicaid, Maryland Health Care Commission, Board of Physician Quality Assurance); Maryland Insurance Administration; Department of Budget and Management (Employee Benefits Division); Department of Legislative Services

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