Department of Legislative Services

Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 600 (Delegate Redmer, *et al.*)
Health and Government Operations

Health Insurance - Small Group Market - Comprehensive Standard Health Benefit Plan - Cost-Sharing

This bill modifies the cost-sharing requirements for the small group market's Comprehensive Standard Health Benefit Plan (CSHBP). The bill specifies that the Maryland Health Care Commission (MHCC), in establishing cost sharing as part of the CSHBP's standard plan, must allow a cost-sharing arrangement that has been filed with and approved by the Insurance Commissioner in connection with a health benefit plan covering residents of the State.

Fiscal Summary

State Effect: Potential minimal general fund revenue reduction from the State's 2% insurance premium tax on for-profit carriers beginning FY 2004. Minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the $125 rate and form filing fee in FY 2004 only.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: CSHBP is a standard health benefit package (standard plan) that carriers must sell to small businesses (50 or fewer employees). Carriers must offer the standard plan to all small businesses, but may sell additional benefits or enhancements through riders. Any riders must be offered and priced separately. A rider may lower the

employees' cost-sharing requirements, but cannot increase them more than those specified in the CSHBP standard plan.

CSHBP includes guaranteed issuance and renewal, adjusted community rating with rate bands, and the elimination of preexisting condition limitations. In order to maintain affordability, the average CSHBP premium rate per employee must remain below 12% of Maryland's average annual wage.

In establishing cost sharing as part of the standard plan, MHCC must: (1) include cost sharing and other incentives to help prevent consumers from seeking unnecessary services; (2) balance the effect of cost sharing in reducing premiums and in affecting utilization of appropriate services; and (3) limit the total cost sharing that may be incurred by an individual in a year.

Background: 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. MIA and MHCC have joint responsibility for administering CSHBP. MIA must approve contracts, rates, and forms, as well as monitor carrier marketing. MHCC is responsible for the design and annual review of CSHBP.

MHCC's annual review of CSHBP includes determining the affordability of CSHBP in the small group market. If MHCC finds the average rate for the standard plan across all carriers and delivery systems exceeds 12% of Maryland's average annual wage, MHCC must modify CSHBP by increasing the cost sharing arrangements or decreasing required benefits.

State Fiscal Effect: If carriers sell CSHBP with higher cost-sharing requirements for enrollees, thereby reducing premiums, tax revenues from the 2% premium tax imposed on for-profit carriers could decrease.

Small Business Effect: Selling CSHBP with higher cost-sharing requirements for employees could benefit small businesses that choose to purchase it by resulting in lower premiums. A lower-premium product could encourage small group employers to purchase insurance, particularly those previously unwilling or unable to carry health insurance for their employees. More employees could be covered by an insurance policy, thus reducing the number of uninsured in the small group market. Depending on the level of cost sharing required, however, some employees still may not be able to afford health care services. Risk spreading across small group employers could be reduced as well, causing the cost of the standard plan to increase.

Additional Information

Prior Introductions: None.

Cross File: SB 166 (Senator Astle) – Finance.

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

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Analysis by: Susan D. John

Direct Inquiries to:
(410) 946-5510
(301) 970-5510