

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 597 (Delegate Eckardt, *et al.*)
Health and Government Operations

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.

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.

Fiscal Summary

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

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Maryland's insurance law currently has 40 required health insurance benefits for services. These are mandated benefits or required offerings that insured health plans must include in their contracts and policies. 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.

Background: 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. According to its December 31, 2002 report, these mandated health benefits accounted for 15% of a health insurance policy premium's total cost.

Small Business Effect: Offering a limited benefits policy could erode the risk sharing in the small group market. Self-employed individuals who currently purchase CSHBP in the small group market 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.

The bill also permits 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: An identical bill, HB 939, was introduced in the 2002 session. It was reported unfavorably by the House Economic Matters Committee.

Cross File: None.

Information Source(s): *Maryland Health Insurance Services Evaluation* (December 31, 2002), 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 Legislative Services

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