
By: **Delegates Kach, Boteler, Donoghue, Frank, Rudolph, V. Turner, and Weldon**

Introduced and read first time: February 9, 2004
Assigned to: Health and Government Operations

A BILL ENTITLED

1 AN ACT concerning

2 **Health Insurance - Small Group Market - Premium Rates**

3 FOR the purpose of altering the factors a carrier may use to adjust the community
4 rate for certain health benefit plans offered in the small group market to include
5 health status and tobacco use; establishing certain limitations on the use of age,
6 health status, and tobacco use in adjusting the community rate; repealing a
7 certain limit on the rate a carrier may charge based on adjustments to the
8 community rate; authorizing a carrier to use certain standardized health
9 statements, health screenings, and prior claims history to establish or modify
10 certain premium rates; prohibiting a carrier from limiting coverage or refusing
11 to issue a health benefit plan to a certain small employer based on a health
12 status-related factor; prohibiting a carrier from knowingly providing coverage
13 to a small employer that discriminates against certain individuals under certain
14 circumstances; providing for the application of this Act; and generally relating to
15 health benefit plans offered in the small group market.

16 BY repealing and reenacting, with amendments,
17 Article - Insurance
18 Section 15-1205
19 Annotated Code of Maryland
20 (2002 Replacement Volume and 2003 Supplement)

21 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
22 MARYLAND, That the Laws of Maryland read as follows:

23 **Article - Insurance**

24 15-1205.

25 (a) (1) In establishing a community rate for a health benefit plan, a carrier
26 shall use a rating methodology that is based on the experience of all risks covered by
27 that health benefit plan without regard to [health status or occupation or] any
28 [other] factor not specifically authorized under this subsection.

1 (2) [A] SUBJECT TO PARAGRAPHS (4), (5), AND (6) OF THIS SUBSECTION,
2 A carrier may adjust the community rate only for:

3 (i) age; [and]

4 (ii) geography based on the following contiguous areas of the State:

5 1. the Baltimore metropolitan area;

6 2. the District of Columbia metropolitan area;

7 3. Western Maryland; and

8 4. Eastern and Southern Maryland;

9 (III) HEALTH STATUS; AND

10 (IV) TOBACCO USE.

11 (3) Rates for a health benefit plan may vary based on family composition
12 as approved by the Commissioner.

13 (4) (I) IN ADJUSTING THE COMMUNITY RATE FOR AGE, A CARRIER
14 SHALL USE THE FOLLOWING AGE BRACKETS:

15 1. 19 THROUGH 24;

16 2. 25 THROUGH 29;

17 3. 30 THROUGH 39;

18 4. 40 THROUGH 44;

19 5. 45 THROUGH 49;

20 6. 50 THROUGH 54;

21 7. 55 THROUGH 59;

22 8. 60 THROUGH 64; AND

23 9. 65 AND OLDER.

24 (II) BASED ON THE ADJUSTMENT FOR AGE ALLOWED UNDER
25 PARAGRAPH (2)(I) OF THIS SUBSECTION, A CARRIER MAY CHARGE A RATE THAT IS 60%
26 ABOVE OR BELOW THE COMMUNITY RATE.

27 (5) (I) BASED ON THE ADJUSTMENT FOR HEALTH STATUS ALLOWED
28 UNDER PARAGRAPH (2)(III) OF THIS SUBSECTION, A CARRIER MAY CHARGE A RATE
29 THAT IS 25% ABOVE OR BELOW THE COMMUNITY RATE.

1 (II) A CARRIER MAY NOT ADJUST THE COMMUNITY RATE FOR A
2 HEALTH BENEFIT PLAN BASED ON CHANGES IN HEALTH STATUS THAT OCCUR
3 AFTER THE HEALTH BENEFIT PLAN IS ISSUED BY THE CARRIER.

4 (6) BASED ON THE ADJUSTMENT FOR TOBACCO USE ALLOWED IN
5 PARAGRAPH (2)(IV) OF THIS SUBSECTION, A CARRIER MAY CHARGE A RATE THAT IS
6 25% ABOVE OR BELOW THE COMMUNITY RATE.

7 (b) A carrier shall apply all risk adjustment factors under subsection (a) of this
8 section consistently with respect to all health benefit plans that are issued, delivered,
9 or renewed in the State.

10 [(c) Based on the adjustments allowed under subsection (a)(2) of this section, a
11 carrier may charge a rate that is 40% above or below the community rate.]

12 [(d)] (C) (1) A carrier shall base its rating methods and practices on
13 commonly accepted actuarial assumptions and sound actuarial principles.

14 (2) A carrier that is a health maintenance organization and that includes
15 a subrogation provision in its contract as authorized under § 19-713.1(d) of the
16 Health - General Article shall:

17 (i) use in its rating methodology an adjustment that reflects the
18 subrogation; and

19 (ii) identify in its rate filing with the Administration, and annually
20 in a form approved by the Commissioner, all amounts recovered through subrogation.

21 (3) A CARRIER MAY USE STANDARDIZED HEALTH STATEMENTS, IN A
22 FORM ADOPTED BY THE COMMISSIONER, HEALTH SCREENINGS, AND PRIOR CLAIMS
23 HISTORY TO ESTABLISH OR MODIFY PREMIUM RATES AS PROVIDED IN THIS SECTION.

24 (D) A CARRIER MAY NOT LIMIT COVERAGE OFFERED BY THE CARRIER, OR
25 REFUSE TO ISSUE A HEALTH BENEFIT PLAN TO ANY SMALL EMPLOYER THAT MEETS
26 THE REQUIREMENTS OF THIS SUBTITLE, BASED ON A HEALTH STATUS-RELATED
27 FACTOR.

28 (E) A CARRIER MAY NOT KNOWINGLY PROVIDE COVERAGE TO A SMALL
29 EMPLOYER THAT DISCRIMINATES AGAINST AN EMPLOYEE OR APPLICANT FOR
30 EMPLOYMENT, BASED ON THE HEALTH STATUS OF THE EMPLOYEE OR APPLICANT
31 OR A DEPENDENT OF THE EMPLOYEE OR APPLICANT, WITH RESPECT TO
32 PARTICIPATION IN A HEALTH BENEFIT PLAN SPONSORED BY THE SMALL EMPLOYER.

33 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to
34 health benefit plans subject to this Act that are issued, delivered, or renewed in the
35 State on or after October 1, 2004.

36 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take
37 effect October 1, 2004.