
By: **Delegates Kach, Boteler, Donoghue, Frank, Rudolph, V. Turner, and
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Nathan-Pulliam, Oaks, Pendergrass, Rosenberg, and Smigiel**

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CHAPTER _____

1 AN ACT concerning

2 **Health Insurance – Small Group Market – Premium Rates**
3 **Maryland Health Care Commission and Maryland Insurance Administration**
4 **- Affordability of Health Insurance in Maryland - Study and**
5 **Recommendations**

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

19 FOR the purpose of requiring the Maryland Health Care Commission and the
20 Maryland Insurance Administration to conduct certain studies; requiring the
21 Commission and the Administration to develop recommendations on ways to
22 make private health insurance more affordable for Maryland residents;
23 requiring the Commission and the Administration to submit certain reports to
24 the General Assembly on or before certain dates; providing for the termination

1 of this Act; and generally relating to a study and recommendations about the
 2 affordability of health insurance in Maryland.

3 ~~BY repealing and reenacting, with amendments,~~
 4 ~~Article Insurance~~
 5 ~~Section 15-1205~~
 6 ~~Annotated Code of Maryland~~
 7 ~~(2002 Replacement Volume and 2003 Supplement)~~

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

10 **~~Article Insurance~~**

11 ~~15-1205.~~

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

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

18 (i) ~~age; [and]~~

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

20 1. ~~the Baltimore metropolitan area;~~

21 2. ~~the District of Columbia metropolitan area;~~

22 3. ~~Western Maryland; and~~

23 4. ~~Eastern and Southern Maryland;~~

24 (iii) ~~HEALTH STATUS; AND~~

25 (iv) ~~TOBACCO USE.~~

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

28 (4) (i) ~~IN ADJUSTING THE COMMUNITY RATE FOR AGE, A CARRIER~~
 29 ~~SHALL USE THE FOLLOWING AGE BRACKETS:~~

30 1. ~~19 THROUGH 24;~~

31 2. ~~25 THROUGH 29;~~

1 3. 30 THROUGH 39;
2 4. 40 THROUGH 44;
3 5. 45 THROUGH 49;
4 6. 50 THROUGH 54;
5 7. 55 THROUGH 59;
6 8. 60 THROUGH 64; AND
7 9. 65 AND OLDER.

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

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

14 (II) ~~A CARRIER MAY NOT ADJUST THE COMMUNITY RATE FOR A~~
15 ~~HEALTH BENEFIT PLAN BASED ON CHANGES IN HEALTH STATUS THAT OCCUR~~
16 ~~AFTER THE HEALTH BENEFIT PLAN IS ISSUED BY THE CARRIER.~~

17 (6) ~~BASED ON THE ADJUSTMENT FOR TOBACCO USE ALLOWED IN~~
18 ~~PARAGRAPH (2)(IV) OF THIS SUBSECTION, A CARRIER MAY CHARGE A RATE THAT IS~~
19 ~~25% ABOVE OR BELOW THE COMMUNITY RATE.~~

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

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

25 [(d)] (C) (I) ~~A carrier shall base its rating methods and practices on~~
26 ~~commonly accepted actuarial assumptions and sound actuarial principles.~~

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

30 (i) ~~use in its rating methodology an adjustment that reflects the~~
31 ~~subrogation; and~~

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

~~1 (3) A CARRIER MAY USE STANDARDIZED HEALTH STATEMENTS, IN A
2 FORM ADOPTED BY THE COMMISSIONER, HEALTH SCREENINGS, AND PRIOR CLAIMS
3 HISTORY TO ESTABLISH OR MODIFY PREMIUM RATES AS PROVIDED IN THIS SECTION.~~

~~4 (D) A CARRIER MAY NOT LIMIT COVERAGE OFFERED BY THE CARRIER, OR
5 REFUSE TO ISSUE A HEALTH BENEFIT PLAN TO ANY SMALL EMPLOYER THAT MEETS
6 THE REQUIREMENTS OF THIS SUBTITLE, BASED ON A HEALTH STATUS RELATED
7 FACTOR.~~

~~8 (E) A CARRIER MAY NOT KNOWINGLY PROVIDE COVERAGE TO A SMALL
9 EMPLOYER THAT DISCRIMINATES AGAINST AN EMPLOYEE OR APPLICANT FOR
10 EMPLOYMENT, BASED ON THE HEALTH STATUS OF THE EMPLOYEE OR APPLICANT
11 OR A DEPENDENT OF THE EMPLOYEE OR APPLICANT, WITH RESPECT TO
12 PARTICIPATION IN A HEALTH BENEFIT PLAN SPONSORED BY THE SMALL EMPLOYER.~~

~~13 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to
14 health benefit plans subject to this Act that are issued, delivered, or renewed in the
15 State on or after October 1, 2004.~~

16 (a) The Maryland Health Care Commission and the Maryland Insurance
17 Administration shall conduct a study of the affordability of private health insurance
18 in Maryland.

19 (b) The Maryland Insurance Administration, in consultation with the
20 Maryland Health Care Commission, shall study:

21 (1) the number of, and the regulatory requirements, including rating of
22 health status, relating to health insurance carriers in Delaware, the District of
23 Columbia, Pennsylvania, Virginia, and West Virginia; and

24 (2) the role of tax-deferred health savings accounts and other models of
25 offering health insurance coverage designed to increase consumer awareness of the
26 cost of health care services.

27 (c) The Maryland Health Care Commission shall study:

28 (1) the factors that contribute to increases in health care costs in
29 Maryland, including utilization of health care services;

30 (2) ways to educate consumers about health care issues and promote
31 personal accountability in health care;

32 (3) ways in which disease management programs can promote the
33 appropriate management of chronic diseases;

34 (4) ways to encourage strategies to purchase health care that focus on
35 quality, patient safety, and wellness;

36 (5) ways to facilitate a more effective and efficient health care delivery
37 system, including improved information technology and evidence-based medicine;

1 (6) innovative programs in other states designed to encourage the
2 appropriate use of health care services; and

3 (7) ways to make health insurance more understandable to both
4 employers and consumers.

5 (d) Based on the studies conducted under subsections (a) through (c) of this
6 section, the Maryland Health Commission and the Maryland Insurance
7 Administration shall develop recommendations on ways to make private health
8 insurance more affordable for Maryland residents.

9 (e) The Maryland Health Commission and the Maryland Insurance
10 Administration, in accordance with § 2-1246 of the State Government Article, shall
11 submit to the General Assembly the following reports on their findings and
12 recommendations:

13 (1) an interim report on or before January 1, 2005; and

14 (2) a final report on or before January 1, 2006.

15 SECTION ~~3.~~ 2. AND BE IT FURTHER ENACTED, That this Act shall take
16 effect ~~October 1,~~ July 1, 2004. It shall remain effective for a period of 1 year and 7
17 months and, at the end of January 31, 2006, with no further action required by the
18 General Assembly, this Act shall be abrogated and of no further force and effect.