
By: **Delegate Donoghue**

Introduced and read first time: February 12, 2004

Assigned to: Health and Government Operations

A BILL ENTITLED

1 AN ACT concerning

2 **Health Insurance - Small Employers - Individual Coverage**

3 FOR the purpose of excluding a certain health benefit plan treated by certain entities
4 as part of a certain plan or program under the United States Internal Revenue
5 Code from certain provisions of law governing the small group insurance
6 market; authorizing a person to offer individual health insurance coverage
7 through a small employer on a certain basis under certain circumstances;
8 requiring a person offering certain individual health insurance coverage to
9 require certain certification; requiring the Maryland Health Care Commission
10 to submit a certain report to certain committees of the General Assembly on or
11 before a certain date; and generally relating to health insurance coverage and
12 small employers.

13 BY repealing and reenacting, without amendments,
14 Article - Insurance
15 Section 15-1201(a), (e), (f), and (n)
16 Annotated Code of Maryland
17 (2002 Replacement Volume and 2003 Supplement)

18 BY repealing and reenacting, with amendments,
19 Article - Insurance
20 Section 15-1202
21 Annotated Code of Maryland
22 (2002 Replacement Volume and 2003 Supplement)

23 BY adding to
24 Article - Insurance
25 Section 15-1204.1
26 Annotated Code of Maryland
27 (2002 Replacement Volume and 2003 Supplement)

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

1 **Article - Insurance**

2 15-1201.

3 (a) In this subtitle the following words have the meanings indicated.

4 (e) (1) "Eligible employee" means:

5 (i) an individual who:

6 1. is an employee, sole proprietor, self-employed individual,
7 partner of a partnership, or independent contractor who is included as an employee
8 under a health benefit plan; and9 2. works on a full-time basis and has a normal workweek of
10 at least 30 hours; or11 (ii) a sole employee of a nonprofit organization that has been
12 determined by the Internal Revenue Service to be exempt from taxation under §
13 501(c)(3), (4), or (6) of the Internal Revenue Code who:

14 1. has a normal workweek of at least 20 hours; and

15 2. is not covered under a public or private plan for health
16 insurance or other health benefit arrangement.

17 (2) "Eligible employee" does not include an individual who works:

18 (i) on a temporary or substitute basis; or

19 (ii) except for an individual described in paragraph (1)(ii) of this
20 subsection, for less than 30 hours in a normal workweek.

21 (f) (1) "Health benefit plan" means:

22 (i) a policy or certificate for hospital or medical benefits;

23 (ii) a nonprofit health service plan; or

24 (iii) a health maintenance organization subscriber or group master
25 contract.26 (2) "Health benefit plan" includes a policy or certificate for hospital or
27 medical benefits that covers residents of this State who are eligible employees and
28 that is issued through:29 (i) a multiple employer trust or association located in this State or
30 another state; or31 (ii) a professional employer organization, coemployer, or other
32 organization located in this State or another state that engages in employee leasing.

- 1 (3) "Health benefit plan" does not include:
- 2 (i) accident-only insurance;
- 3 (ii) fixed indemnity insurance;
- 4 (iii) credit health insurance;
- 5 (iv) Medicare supplement policies;
- 6 (v) Civilian Health and Medical Program of the Uniformed Services
7 (CHAMPUS) supplement policies;
- 8 (vi) long-term care insurance;
- 9 (vii) disability income insurance;
- 10 (viii) coverage issued as a supplement to liability insurance;
- 11 (ix) workers' compensation or similar insurance;
- 12 (x) disease-specific insurance;
- 13 (xi) automobile medical payment insurance;
- 14 (xii) dental insurance; or
- 15 (xiii) vision insurance.

16 (n) "Small employer" means:

- 17 (1) an employer described in § 15-1203 of this subtitle; or
- 18 (2) an entity that leases employees from a professional employer
19 organization, coemployer, or other organization engaged in employee leasing and that
20 otherwise meets the description of § 15-1203 of this subtitle.

21 15-1202.

22 (a) This subtitle applies only to a health benefit plan that:

- 23 (1) covers eligible employees of small employers in the State; and
- 24 (2) is issued or renewed on or after July 1, 1994, if:
- 25 (i) any part of the premium or benefits is paid by or on behalf of
26 the small employer;
- 27 (ii) any eligible employee or dependent is reimbursed, through
28 wage adjustments or otherwise, by or on behalf of the small employer for any part of
29 the premium;

1 (iii) the health benefit plan is treated by the employer or any
2 eligible employee or dependent as part of a plan or program under the United States
3 Internal Revenue Code, 26 U.S.C. § 106[, § 125,] or § 162; or

4 (iv) the small employer allows eligible employees to pay for the
5 health benefit plan through payroll deductions.

6 (b) A carrier is subject to the requirements of § 15-1403 of this title in
7 connection with health benefit plans issued under this subtitle.

8 15-1204.1.

9 (A) A PERSON MAY OFFER AN INDIVIDUAL HEALTH BENEFIT PLAN THROUGH
10 A SMALL EMPLOYER TO AN ELIGIBLE EMPLOYEE ON A PRETAX, LIST BILLING BASIS
11 IF:

12 (1) THE SMALL EMPLOYER HAS NOT BEEN PROVIDING OR OFFERING A
13 HEALTH BENEFIT PLAN UNDER THIS SUBTITLE TO ITS EMPLOYEES DURING THE
14 PRIOR 6-MONTH PERIOD; AND

15 (2) THE EMPLOYEE HAS NOT BEEN ELIGIBLE FOR A HEALTH BENEFIT
16 PLAN UNDER THIS SUBTITLE DURING THE PRIOR 6-MONTH PERIOD.

17 (B) A PERSON OFFERING AN INDIVIDUAL HEALTH BENEFIT PLAN THROUGH A
18 SMALL EMPLOYER TO AN ELIGIBLE EMPLOYEE ON A PRETAX, LIST BILLING BASIS
19 SHALL REQUIRE CERTIFICATION THAT THE SMALL EMPLOYER AND THE ELIGIBLE
20 EMPLOYEE MEET THE REQUIREMENTS OF SUBSECTION (A) OF THIS SECTION.

21 SECTION 2. AND BE IT FURTHER ENACTED, That, on or before October 1,
22 2005, the Maryland Health Care Commission shall report to the Senate Finance
23 Committee and the House Health and Government Operations Committee, in
24 accordance with § 2-1246 of the State Government Article, on:

25 (1) the number of individuals being provided individual health insurance
26 coverage through a small employer;

27 (2) the number of persons offering individual health benefit coverage through
28 a small employer; and

29 (3) any concerns or problems with individuals or small employers opting for
30 individual health benefit coverage under this Act.

31 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take
32 effect July 1, 2004.