

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 1034 (Delegate Donoghue)
Health and Government Operations

Health Insurance – Small Employers – Individual Coverage

This bill permits a carrier to offer individual health insurance coverage through a small employer to an eligible employee on a pretax, list billing basis if: (1) the small employer has not been providing or offering a health benefit plan to its employees during the prior six-month period; and (2) the employee has not been eligible for a health benefit plan in the small group market during the prior six-month period.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: The reporting requirements could be handled with existing Maryland Health Care Commission (MHCC) budgeted resources.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: A carrier offering individual health insurance coverage must require certification that the small employer and eligible employee meet these requirements.

MHCC must report by October 1, 2005 to the Senate Finance Committee and the House Health and Government Operations Committee on: (1) the number of individuals being provided individual health insurance coverage through a small employer; (2) the number

of carriers offering this type of coverage; and (3) any concerns or problems with individuals or small employers opting for individual health insurance coverage.

Current Law: The Comprehensive Standard Health Benefit Plan (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.

CSHBP includes guaranteed issuance and renewal, adjusted community rating with rate bands, and the elimination of pre-existing condition limitations. In order to maintain affordability, the average CSHBP premium rate per employee must remain below 10% of Maryland's average annual wage.

Small Business Effect: The bill permits small business employers to offer individual health insurance plans to their employees as an option other than the CSHBP that now must be sold in the small group market. The bill contains a crowd-out provision prohibiting enrollment unless an employer has not been providing or offering health benefits for at least six months. However, to the extent that healthier employees choose to enroll in individual plans, the pool of employees remaining in CSHBP would decrease, possibly increasing overall premiums in the small group market.

Additional Information

Prior Introductions: An identical bill, HB 1029, was introduced in 2003, but was withdrawn.

Cross File: None.

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

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mam/jr

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