

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 714

(Senator Middleton)

Finance

Health and Government Operations

**Health Insurance - Small Group Market - Modified Health Benefit Plan for
Medical Savings Accounts**

This bill removes the modified health benefit plan for medical savings accounts from the small group market.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: The bill would not substantively change State activities or operations.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: 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 preexisting condition limitations. In order to maintain affordability, the average CSHBP premium rate per employee must remain below 10% of

Maryland's average annual wage. If the premium rate meets or exceeds 10%, MHCC must restructure CSHBP by reducing benefits or increasing cost-sharing for enrollees.

In addition, a carrier may offer a modified health benefit plan for medical savings accounts (MSAs) that qualify under the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA). MSAs, authorized by federal law in 1996, are health plans that combine a high-deductible health insurance policy with a savings account. The policy protects the employee from the cost of a catastrophic illness and the savings account, controlled by the employee, is used to pay for routine health care. Only self-employed and small business employees can have a tax-free MSA. MSA funds not spent by year's end may be rolled over to the next year.

Beginning January 1, 2004, health savings accounts (HSAs) replaced federal MSAs. HSAs are tax-free savings accounts for medical expenses that permit small business owners to obtain affordable health coverage for themselves and their employees. HSAs provide more flexibility for eligibility and contributions than MSAs. Any taxpayer with a high-deductible insurance plan can contribute up to \$2,600 a year into an HSA account. Both employers and employees may contribute to HSAs. MHCC has adopted regulations that will make high-deductible health benefit plans available for use with federal health savings accounts effective July 1, 2004.

Additional Information

Prior Introductions: None.

Cross File: HB 933 (Delegate Hammen) – Health and Governmental Operations.

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

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