

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 667 (Chairman, Health and Government Operations Committee)
(By Request – Departmental – Insurance Administration, Maryland)
Health and Government Operations Finance

**Maryland Health Insurance Plan - Authority and Composition of Board of
Directors - Plan Fund**

This departmental bill makes various changes to the Maryland Health Insurance Plan (MHIP) and expands the board's authority over enrollment and premium rate setting.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: MHIP special fund revenues could increase from additional grants, beginning in FY 2005. MHIP could readjust premium rates by income and geographical location in a budget-neutral manner.

Local Effect: None.

Small Business Effect: The Maryland Insurance Administration (MIA) has determined that this bill will have minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: The bill permits the MHIP board to adopt regulations to limit enrollment of otherwise eligible individuals whose premium is paid by a pharmaceutical manufacturer if the board determines that enrollment capacity is adversely impacted. The

bill expands the types of funds that can be deposited into the MHIP fund to include donations and grant awards. The bill permits the board to adjust the premium rate by geographical location, and permits the board to subsidize premiums, deductibles, and other policy expenses based on the member's income.

The bill expands MHIP board membership from seven to nine, adding one representative of a minority-owned business and one appointed by the Health, Education, and Advocacy Unit of the Office of the Attorney General.

Current Law: MHIP is an independent unit of MIA whose purpose is to decrease uncompensated care costs by providing access to affordable, comprehensive health benefits for medically-uninsurable residents. Any medically uninsurable individual who meets certain requirements may enroll in MHIP. Enrollment began July 1, 2003. The MHIP board must establish a premium rate for plan coverage subject to review and approval by the Insurance Commissioner. The rate may vary only on the basis of family composition. The board may not subsidize premiums based on an enrollee's income. The MHIP fund generally consists of premiums, an assessment on hospital revenues, and investment and interest income.

The Comprehensive Standard Health Benefit Plan sold in the small group market is also subject to rate setting requirements and is permitted to set rates based on geographic regions of the State.

Background: MHIP enrolled approximately 7,100 individuals who transferred from private carriers' Substantial, Affordable, and Available Coverage products on July 1, 2003. Enrollees pay monthly premiums that are no more than 150% of what is currently charged in the individual market for health insurance. Premiums range from \$164 to \$523 per month.

MHIP received an estimated \$52 million in fiscal 2004 from the hospital subsidy and about \$690,000 in federal grants.

State Fiscal Effect: While current law does not affirmatively state that the MHIP fund may receive donations or federal grant funds, it has done so in the past, receiving approximately \$690,000 in fiscal 2004. Permitting the MHIP fund to accept grants or donations could facilitate receiving additional funds in the future. The amount of any donations or grants awarded to MHIP cannot be determined at this time.

It is assumed MHIP could readjust premium rates based on income and geographical location in a budget-neutral manner.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 20, 2004
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