SB 148

Department of Legislative Services

Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 148 (Senator Astle)
Finance

Health Insurance - Small Group Market - Cost-Sharing Arrangements

This bill modifies the Comprehensive Standard Health Benefit Plan (CSHBP) sold in the small group market by requiring the Maryland Health Care Commission (MHCC) to include any cost-sharing arrangement that has been filed with and approved by the Insurance Commissioner.

Fiscal Summary

State Effect: Potential minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the $125 rate and form filing fee in FY 2005. The review of additional rate and form filings could be handled with existing MIA budgeted resources.

Local Effect: None.

Small Business Effect: Meaningful.

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.

Background: CSHBP was established in 1994 as a result of health care reforms adopted by the General Assembly to provide better access to coverage in the small group market. MIA and MHCC have joint responsibility for administering CSHBP. MIA must approve contracts, rates, and forms, as well as monitor carrier marketing. MHCC is responsible for the design and annual review of CSHBP.

MHCC's annual review of CSHBP includes determining the affordability of CSHBP in the small group market. If MHCC finds the average rate for the standard plan across all carriers and delivery systems exceeds 10% of Maryland's average annual wage, MHCC must modify CSHBP by increasing the cost-sharing arrangements or decreasing required benefits.

CSHBP has continued to stay under the affordability cap. At the end of 2002, Maryland's average annual wage was $39,360, the 10% cap was $3,960, and the average premium rate was $3,813. However, MHCC predicts that the average premium will exceed the 10% affordability cap in calendar 2003 and 2004.

Small Business Effect: In 2002, approximately 53,000 small businesses provided health insurance coverage to 448,000 covered lives in the small group market. Each policy carried an average 1.835 covered lives.

The bill's provision allowing any cost-sharing arrangement approved by the Commissioner would reduce the average premium rate in the small group market by a significant amount. The exact premium savings created by this provision depend on the types of approved cost-sharing arrangements implemented by carriers and cannot be determined at this time. Currently, carriers must sell CSHBP, which has required minimal cost-sharing arrangements. While the bill would reduce premiums, it would also remove this employee protection, subjecting employees to more out-of-pocket costs.

MHCC conducted a study on modifying the CSHBP benefit package by increasing the employee's share of the costs. Certain cost-shifting proposals studied by MHCC would significantly reduce the average premium rate. For comparative purposes, increasing the Preferred Provider Option deductible from $1,000 to $2,500 would reduce the average premium by 9.4%, while increasing the Point-of-Service deductible from $400 to $1,000 would reduce the average premium only 0.6%. In addition, increasing copayments for specialty services from $30 to $40 would reduce the average premium by 2.1%.

Increasing the emergency room copayment increase from $35 to $200 would reduce the average premium by 2.5%.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 5, 2004
ncs/jr

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