
By: **Delegates Kach, Boteler, Goldwater, and Rudolph**

Introduced and read first time: February 11, 2005

Assigned to: Health and Government Operations

A BILL ENTITLED

1 AN ACT concerning

2 **Health Insurance - Small Group Market - Premium Rates**

3 FOR the purpose of altering the factors a carrier may use to adjust the community
4 rate for certain health benefit plans offered in the small group market to include
5 health status; establishing certain limitations on the use of age and health
6 status in adjusting the community rate; repealing a certain limit on the rate a
7 carrier may charge based on adjustments to the community rate; authorizing a
8 carrier to use certain health statements and health screenings to establish
9 certain premium rates; prohibiting a carrier from limiting coverage or refusing
10 to issue a health benefit plan to a certain small employer based on a health
11 status-related factor; establishing that it is an unfair trade practice for a carrier
12 to knowingly provide coverage to a small employer that discriminates against
13 certain individuals under certain circumstances; providing for the application of
14 this Act; and generally relating to health benefit plans offered in the small group
15 market.

16 BY repealing and reenacting, with amendments,
17 Article - Insurance
18 Section 15-1205
19 Annotated Code of Maryland
20 (2002 Replacement Volume and 2004 Supplement)

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

23 **Article - Insurance**

24 15-1205.

25 (a) (1) In establishing a community rate for a health benefit plan, a carrier
26 shall use a rating methodology that is based on the experience of all risks covered by
27 that health benefit plan without regard to [health status or occupation or] any
28 [other] factor not specifically authorized under this subsection.

1 (2) [A] SUBJECT TO PARAGRAPHS (4) THROUGH (7) OF THIS
2 SUBSECTION, A carrier may adjust the community rate only for:

3 (i) age; [and]

4 (ii) geography based on the following contiguous areas of the State:

5 1. the Baltimore metropolitan area;

6 2. the District of Columbia metropolitan area;

7 3. Western Maryland; and

8 4. Eastern and Southern Maryland; AND

9 (III) HEALTH STATUS.

10 (3) Rates for a health benefit plan may vary based on family composition
11 as approved by the Commissioner.

12 (4) BASED ON THE ADJUSTMENT FOR AGE ALLOWED UNDER
13 PARAGRAPH (2)(I) OF THIS SUBSECTION, A CARRIER MAY CHARGE A RATE THAT IS 60%
14 ABOVE OR BELOW THE COMMUNITY RATE.

15 (5) BASED ON THE ADJUSTMENT FOR GEOGRAPHY ALLOWED UNDER
16 PARAGRAPH (2)(II) OF THIS SECTION, A CARRIER MAY CHARGE A RATE THAT IS 15%
17 ABOVE OR BELOW THE COMMUNITY RATE.

18 (6) (I) BASED ON THE ADJUSTMENT FOR HEALTH STATUS ALLOWED
19 UNDER PARAGRAPH (2)(III) OF THIS SUBSECTION, A CARRIER MAY CHARGE A RATE
20 THAT IS 25% ABOVE OR BELOW THE COMMUNITY RATE.

21 (II) ON RENEWAL, A CARRIER MAY ADJUST THE COMMUNITY RATE
22 FOR A HEALTH BENEFIT PLAN BASED ON CHANGES IN HEALTH STATUS THAT OCCUR
23 AFTER THE HEALTH BENEFIT PLAN IS ISSUED BY THE CARRIER BY NO MORE THAN
24 15%.

25 (7) (I) ON RENEWAL, A CARRIER MAY NOT INCREASE THE PREMIUM
26 RATE BY MORE THAN 25% OF THE RATE THAT WAS CHARGED IN THE PRECEDING
27 YEAR.

28 (II) THE LIMITATION IN SUBPARAGRAPH (I) OF THIS PARAGRAPH
29 MAY NOT INCLUDE ANY PREMIUM RATE INCREASE THAT IS BASED ON A CARRIER'S
30 ANNUAL COST AND UTILIZATION TRENDS OR CHANGE IN THE RATING FACTOR FOR
31 ATTAINED AGE FOR COVERED PERSONS.

32 (b) A carrier shall apply all risk adjustment factors under subsection (a) of this
33 section consistently with respect to all health benefit plans that are issued, delivered,
34 or renewed in the State.

1 [(c) Based on the adjustments allowed under subsection (a)(2) of this section, a
2 carrier may charge a rate that is 40% above or below the community rate.]

3 [(d)] (C) (1) A carrier shall base its rating methods and practices on
4 commonly accepted actuarial assumptions and sound actuarial principles.

5 (2) A carrier that is a health maintenance organization and that includes
6 a subrogation provision in its contract as authorized under § 19-713.1(d) of the
7 Health - General Article shall:

8 (i) use in its rating methodology an adjustment that reflects the
9 subrogation; and

10 (ii) identify in its rate filing with the Administration, and annually
11 in a form approved by the Commissioner, all amounts recovered through subrogation.

12 (3) A CARRIER MAY USE HEALTH STATEMENTS, IN A FORM APPROVED
13 BY THE COMMISSIONER, AND HEALTH SCREENINGS TO ESTABLISH PREMIUM RATES
14 AS PROVIDED IN THIS SECTION.

15 (D) A CARRIER MAY NOT LIMIT COVERAGE OFFERED BY THE CARRIER, OR
16 REFUSE TO ISSUE A HEALTH BENEFIT PLAN TO ANY SMALL EMPLOYER THAT MEETS
17 THE REQUIREMENTS OF THIS SUBTITLE, BASED ON A HEALTH STATUS-RELATED
18 FACTOR.

19 (E) IT SHALL BE AN UNFAIR TRADE PRACTICE FOR A CARRIER TO KNOWINGLY
20 PROVIDE COVERAGE TO A SMALL EMPLOYER THAT DISCRIMINATES AGAINST AN
21 EMPLOYEE OR APPLICANT FOR EMPLOYMENT, BASED ON THE HEALTH STATUS OF
22 THE EMPLOYEE OR APPLICANT OR A DEPENDENT OF THE EMPLOYEE OR APPLICANT,
23 WITH RESPECT TO PARTICIPATION IN A HEALTH BENEFIT PLAN SPONSORED BY THE
24 SMALL EMPLOYER.

25 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to
26 health benefit plans subject to this Act that are issued, delivered, or renewed in the
27 State on or after October 1, 2005.

28 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take
29 effect October 1, 2005.