
By: **Senator Astle**

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Assigned to: Rules

Re-referred to: Finance, March 4, 2005

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 29, 2005

CHAPTER _____

1 AN ACT concerning

2 **Health Insurance—Small Group Market—Premium Rates**
 3 **Joint Legislative Task Force on Small Group Market Health Insurance**

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

17 FOR the purpose of establishing a Joint Legislative Task Force on Small Group
 18 Market Health Insurance; providing for the composition, chairs, staffing, and
 19 duties of the Task Force; requiring the Task Force to submit a certain report to
 20 the presiding officers and certain committees of the General Assembly on or
 21 before a certain date; and generally relating to a Joint Legislative Task Force on
 22 Small Group Market Health Insurance.

23 ~~BY repealing and reenacting, with amendments,~~
 24 ~~Article—Insurance~~

1 Section 15-1205
 2 Annotated Code of Maryland
 3 (2002 Replacement Volume and 2004 Supplement)

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

6 **Article — Insurance**

7 ~~15-1205.~~

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

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

14 (i) ~~age; [and]~~

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

16 1. ~~the Baltimore metropolitan area;~~

17 2. ~~the District of Columbia metropolitan area;~~

18 3. ~~Western Maryland; and~~

19 4. ~~Eastern and Southern Maryland; AND~~

20 (iii) ~~HEALTH STATUS.~~

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

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

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

29 (6) (i) ~~BASED ON THE ADJUSTMENT FOR HEALTH STATUS ALLOWED~~
 30 ~~UNDER PARAGRAPH (2)(III) OF THIS SUBSECTION, A CARRIER MAY CHARGE A RATE~~
 31 ~~THAT IS 25% ABOVE OR BELOW THE COMMUNITY RATE.~~

32 (ii) ~~ON RENEWAL, A CARRIER MAY ADJUST THE COMMUNITY RATE~~
 33 ~~FOR A HEALTH BENEFIT PLAN BASED ON CHANGES IN HEALTH STATUS THAT OCCUR~~

1 ~~AFTER THE HEALTH BENEFIT PLAN IS ISSUED BY THE CARRIER BY NO MORE THAN~~
2 ~~15%.~~

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

6 (H) ~~THE LIMITATION IN SUBPARAGRAPH (I) OF THIS PARAGRAPH~~
7 ~~MAY NOT INCLUDE ANY PREMIUM RATE INCREASE THAT IS BASED ON A CARRIER'S~~
8 ~~ANNUAL COST AND UTILIZATION TRENDS OR CHANGE IN THE RATING FACTOR FOR~~
9 ~~ATTAINED AGE FOR COVERED PERSONS.~~

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

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

15 [(d)] (C) (I) A carrier shall base its rating methods and practices on
16 commonly accepted actuarial assumptions and sound actuarial principles.

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

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

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

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

27 (D) A CARRIER MAY NOT LIMIT COVERAGE OFFERED BY THE CARRIER, OR
28 REFUSE TO ISSUE A HEALTH BENEFIT PLAN TO ANY SMALL EMPLOYER THAT MEETS
29 THE REQUIREMENTS OF THIS SUBTITLE, BASED ON A HEALTH STATUS RELATED
30 FACTOR.

31 (E) IT SHALL BE AN UNFAIR TRADE PRACTICE FOR A CARRIER TO KNOWINGLY
32 PROVIDE COVERAGE TO A SMALL EMPLOYER THAT DISCRIMINATES AGAINST AN
33 EMPLOYEE OR APPLICANT FOR EMPLOYMENT, BASED ON THE HEALTH STATUS OF
34 THE EMPLOYEE OR APPLICANT OR A DEPENDENT OF THE EMPLOYEE OR APPLICANT,
35 WITH RESPECT TO PARTICIPATION IN A HEALTH BENEFIT PLAN SPONSORED BY THE
36 SMALL EMPLOYER.

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

4 (a) There is a Joint Legislative Task Force on Small Group Market Health
5 Insurance.

6 (b) The Task Force consists of the following six members:

7 (1) three members of the Senate Finance Committee, appointed by the
8 President of the Senate; and

9 (2) three members of the House Health and Government Operations
10 Committee, appointed by the Speaker of the House.

11 (c) (1) The President of the Senate shall appoint a co-chair from among the
12 Senate Finance Committee members.

13 (2) The Speaker of the House shall appoint a co-chair from among the
14 House Health and Government Operations Committee members.

15 (d) (1) The Department of Legislative Services shall provide staff support
16 for the Task Force.

17 (2) The Maryland Insurance Administration and the Maryland Health
18 Care Commission shall provide technical assistance to the Task Force, including
19 retaining independent consultants to provide actuarial services, benefit consulting
20 services, and other services as needed.

21 (e) A member of the Task Force:

22 (1) may not receive compensation; but

23 (2) is entitled to reimbursement for expenses under the Standard State
24 Travel Regulations, as provided in the State budget.

25 (f) The Task Force:

26 (1) shall study and make recommendations regarding small group
27 market health insurance, including:

28 (i) the use of health status as a risk factor for rate adjustment
29 purposes;

30 (ii) the permissible variation in the community rate;

31 (iii) expanding the permissible range of products;

32 (iv) the number of employers offering the Limited Benefit Plan;

33 (v) medical loss ratios, according to group size;

1 (vi) availability of association health plans in the small group
2 market; and

3 (vii) any other issue or factor the Task Force considers important;
4 and

5 (2) shall, on or before January 1, 2006, report its findings and
6 recommendations, in accordance with § 2-1246 of the State Government Article, to
7 the presiding officers of the General Assembly, the Senate Finance Committee, and
8 the House Health and Government Operations Committee.

9 SECTION ~~3-2~~ 2. AND BE IT FURTHER ENACTED, That this Act shall take
10 effect ~~October~~ July 1, 2005.