

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 1182 (Delegates Gordon and Krysiak)
Economic Matters and Health and Government Operations

Insurance - Rate Filings - Prior Approval

This bill requires a health insurer, life insurer, and an HMO to file its rates with the Insurance Commissioner for approval prior to their use. If at any time a health insurer wishes to change a rate charged, the health insurer must file the rate change with the Insurance Commissioner for approval prior to its use.

Fiscal Summary

State Effect: The Maryland Insurance Administration (MIA) could handle any additional rate filings with existing budgeted resources. Potential minimal special fund increase for MIA from the \$125 rate and form filing fee.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: An HMO must file rates, the form, and content of each contract with the Insurance Commissioner. The rates may not be excessive, inadequate, or unfairly discriminatory in relation to the services offered. If an HMO wants to change any rate charged, the HMO must file the rate change with the commissioner. Unless the commissioner disapproves a filing, the filing becomes effective 60 days after the commissioner received the filing.

A health insurer's form (includes the rate) may not be delivered or issued in the State unless the form has been filed with and approved by the commissioner. A form is

deemed approved unless the commissioner affirmatively approves or disapproves it before the end of the initial filing period (60 days).

Background: In January 2005, the General Assembly overrode Governor Ehrlich's veto of HB 2 of the 2004 special session, a medical malpractice bill which in part repealed the 2% premium tax exemption on HMOs and Medicaid managed care organizations (MCOs). The repeal is projected to increase general fund revenues by approximately \$29.3 million in fiscal 2005 and \$64.4 in fiscal 2006 to fund medical malpractice initiatives. Two days after the veto override, the Insurance Commissioner informed health insurers that they could pass the 2% tax on to their customers without getting customary prior approval of MIA simply by sending the commissioner a letter. According to the January 13, 2005 bulletin released by MIA, the letter submitted to the MIA would constitute a rate filing, which would be deemed approved upon receipt by the MIA. MIA later indicated the rate filing would not be approved without a written response from MIA.

The Attorney General's Office advised in a January 25, 2005 letter that MIA has the authority to permit such a filing and approval. However, there was some question concerning whether the "deemed approval" mechanism could be implemented without MIA's adoption of regulations. The Attorney General's Office recommended either adopting regulations or individually approving HMO rate filings in accordance with current law.

Three HMOs – MAMSI, Aetna, and Kaiser Permanente plan to raise their rates either on March 1 or April 1. CareFirst BlueCross BlueShield is not raising its rates.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mp/jr

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