HB 1017

Department of Legislative Services

Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1017 (Delegate Kach, *et al.*)
Health and Government Operations Finance

Joint Legislative Task Force on Small Group Market Health Insurance

This bill creates the Joint Legislative Task Force on Small Group Market Health Insurance, staffed by the Department of Legislative Services (DLS). The task force must study and make recommendations regarding small group market health insurance relating to rate adjustments, medical loss ratios, association health plans and the Limited Benefit Plan, and any other issue the task force considers important. A report is due to the Senate Finance Committee and the House Health and Government Operations Committee by January 1, 2006. The Maryland Insurance Administration (MIA) and the Maryland Health Care Commission (MHCC) must provide technical assistance to the task force, including retaining independent consultants to provide actuarial services, benefit consulting services, and other services as needed.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: Any expense reimbursements for task force members and staffing costs for DLS are assumed to be minimal and absorbable within existing budgeted resources. MIA and MHCC special fund expenditures could increase beginning in FY 2006, depending on consulting fees paid for actuarial and other services. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The Comprehensive Standard Health Benefit Plan (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.

Carriers must use a community rate for a health benefit plan. The community rate must be based on the experience of all risks covered by that health benefit plan without regard to health status or occupation or any other factor not specifically authorized by law. The rate may only be adjusted for age and geographical location. Based on these adjustments, a carrier may charge a rate that is 40% above or below the community rate.

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 the Maryland Health Care Commission (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.

Additional Information

Prior Introductions: A similar bill, HB 845 of 2004, would have permitted a carrier to adjust rates due to health status and tobacco use. The bill was substantively amended and these provisions were stricken from the bill. HB 845, without rate factor changes, was signed into law (Chapter 94 of 2004).

Cross File: SB 961 (Senator Astle) – Finance.

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

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