

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 1089 (Chairman, Health and Government Operations Committee)
(By Request – Departmental – Insurance Administration, Maryland)
Health and Government Operations

Health Insurance - Mandated Benefits - Exclusions for Preexisting Conditions

This emergency departmental bill permits a health insurer or nonprofit health service plan (carrier) to exclude coverage in the individual market for a condition or hazard related to a benefit, including a mandated health benefit, if: (1) the benefit relates to a condition or hazard revealed during medical underwriting; and (2) the benefit related to the condition or hazard is excluded by an exclusionary rider that is signed by the enrollee and attached to the contract. The bill specifies it is not a discriminatory practice to apply an exclusionary rider to mandated mental health benefits as a result of medical underwriting.

Fiscal Summary

State Effect: None. The bill pertains exclusively to private sector activities.

Local Effect: None.

Small Business Effect: The Maryland Insurance Administration (MIA) has determined that the bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: Health insurance policies sold in the individual market must include mandated health benefits. Under Maryland's mental health parity mandated benefit, when a carrier offers mental health benefits under a health benefit plan, the covered mental health services must meet certain requirements analogous to covered physical health services, or be deemed discriminatory.

Background: Historically, insurers could offer insurance policies subject to medical underwriting, where an insurer agrees to offer coverage to an individual subject to the exclusion of a preexisting condition. While the individual would not be covered for medical services rendered for the preexisting condition, the individual would have access to all other benefits of health insurance coverage. The availability of medically-underwritten policies permits many individuals to obtain affordable coverage when no other coverage is available to them. Currently, policies in the individual market are subject to mandated health insurance benefit laws. A carrier therefore, may not impose a preexisting condition exclusion if the law requires that particular coverage be provided.

Additional Information

Prior Introductions: A similar bill, HB 581 of 2004, was not reported by the Health and Government Operations Committee.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Medicaid, Maryland Health Care Commission), Maryland Insurance Administration, Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

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mp/jr

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