
By: ~~Delegate Kach~~ Delegates Kach, Barve, Benson, Boteler, Bromwell,
Costa, Donoghue, Elliott, Frank, Hammen, Hubbard, Kohl, Kullen,
Mandel, McDonough, Morhaim, Murray, Nathan-Pulliam, Oaks,
Pendergrass, Rudolph, V. Turner, and Weldon

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House action: Adopted
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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 **Report and Modification of Duties**

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

20 FOR the purpose of altering the date by which the Joint Legislative Task Force on
21 Small Group Market Health Insurance is required to submit a certain report to
22 the presiding officers and certain committees of the General Assembly;
23 requiring the Task Force to study and make recommendations regarding certain
24 additional issues; and generally relating to the Joint Legislative Task Force on

1 Small Group Market Health Insurance.

2 ~~BY repealing and reenacting, with amendments,~~

3 ~~Article Insurance~~

4 ~~Section 15-1205~~

5 ~~Annotated Code of Maryland~~

6 ~~(2002 Replacement Volume and 2005 Supplement)~~

7 BY repealing and reenacting, with amendments,

8 Chapter 409 of the Acts of the General Assembly of 2005

9 Section 1(f)

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

12 **~~Article Insurance~~**

13 ~~15-1205.~~

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

18 (2) ~~[A] SUBJECT TO PARAGRAPHS (4), (5), AND (6) OF THIS SUBSECTION,~~
19 ~~A carrier may adjust the community rate only for:~~

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

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

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

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

24 3. ~~Western Maryland; and~~

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

26 (iii) ~~HEALTH STATUS.~~

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

29 (4) ~~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 10% ABOVE OR 25% BELOW THE COMMUNITY RATE.~~

1 ~~(5) A CARRIER MAY ADJUST THE COMMUNITY RATE FOR HEALTH~~
2 ~~STATUS ONLY FOR HEALTH BENEFIT PLANS ISSUED TO SMALL EMPLOYERS WITH 15~~
3 ~~OR FEWER ELIGIBLE EMPLOYEES AT THE TIME OF INITIAL ISSUANCE OF A HEALTH~~
4 ~~BENEFIT PLAN.~~

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

8 ~~(II) THE LIMITATION UNDER SUBPARAGRAPH (I) OF THIS~~
9 ~~PARAGRAPH DOES NOT APPLY TO A PREMIUM RATE INCREASE THAT IS BASED ON:~~

10 ~~1. A CARRIER'S ANNUAL COST AND UTILIZATION TRENDS; OR~~

11 ~~2. A CHANGE IN THE RATING FACTOR FOR ATTAINED AGE~~
12 ~~FOR COVERED PERSONS.~~

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

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

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

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

23 ~~(i) use in its rating methodology an adjustment that reflects the~~
24 ~~subrogation; and~~

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

27 ~~(3) A CARRIER MAY USE HEALTH STATEMENTS, IN A FORM APPROVED~~
28 ~~BY THE COMMISSIONER, AND HEALTH SCREENINGS TO ESTABLISH PREMIUM RATES~~
29 ~~AS PROVIDED IN THIS SECTION.~~

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

34 ~~(E) IT IS AN UNFAIR TRADE PRACTICE FOR A CARRIER TO KNOWINGLY~~
35 ~~PROVIDE COVERAGE TO A SMALL EMPLOYER THAT DISCRIMINATES AGAINST AN~~
36 ~~EMPLOYEE OR APPLICANT FOR EMPLOYMENT, BASED ON THE HEALTH STATUS OF~~
37 ~~THE EMPLOYEE OR APPLICANT OR A DEPENDENT OF THE EMPLOYEE OR APPLICANT,~~

1 WITH RESPECT TO PARTICIPATION IN A HEALTH BENEFIT PLAN SPONSORED BY THE
2 SMALL EMPLOYER.

3 ~~SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all~~
4 ~~health benefit plans subject to this Act that are issued, delivered, or renewed in the~~
5 ~~State on or after October 1, 2006.~~

6 **Chapter 409 of the Acts of 2005**

7 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
8 MARYLAND, That:

9 (f) The Task Force:

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

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

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

15 (iii) expanding the permissible range of products;

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

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

18 (vi) availability of association health plans in the small group
19 market; [and]

20 (VII) THE USE OF A STATE-SUBSIDIZED REINSURANCE POOL TO
21 LOWER PRICES IN THE SMALL GROUP MARKET;

22 (VIII) THE FEASIBILITY OF ESTABLISHING A HEALTH INSURANCE
23 EXCHANGE TO STRENGTHEN THE SMALL GROUP MARKET; AND

24 [(vii)] (IX) any other issue or factor the Task Force considers
25 important; and

26 (2) shall, on or before [January 1, 2006] JULY 1, 2007, report its findings
27 and recommendations, in accordance with § 2-1246 of the State Government Article,
28 to the presiding officers of the General Assembly, the Senate Finance Committee, and
29 the House Health and Government Operations Committee.

30 ~~SECTION 3-2.~~ AND BE IT FURTHER ENACTED, That this Act shall take
31 effect ~~October~~ July 1, 2006.

