
By: ~~Senator Astle~~ Senators Astle, Della, Exum, Gladden, Hafer, Hooper, Kelley, Klausmeier, Middleton, Pipkin, and Teitelbaum

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Assigned to: Finance

Committee Report: Favorable with amendments

Senate 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
25 Small Group Market Health Insurance.

1 ~~BY repealing and reenacting, with amendments,~~
 2 ~~Article—Insurance~~
 3 ~~Section 15-1205~~
 4 ~~Annotated Code of Maryland~~
 5 ~~(2002 Replacement Volume and 2005 Supplement)~~

6 ~~BY repealing and reenacting, with amendments,~~
 7 ~~Chapter 409 of the Acts of the General Assembly of 2005~~
 8 ~~Section 1(f)~~

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

11 ~~Article—Insurance~~

12 ~~15-1205.~~

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

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

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

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

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

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

23 3. ~~Western Maryland; and~~

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

25 (iii) ~~HEALTH STATUS.~~

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

28 (4) ~~BASED ON THE ADJUSTMENT FOR HEALTH STATUS ALLOWED~~
 29 ~~UNDER PARAGRAPH (2)(iii) OF THIS SUBSECTION, A CARRIER MAY CHARGE A RATE~~
 30 ~~THAT IS 10% ABOVE OR 25% BELOW THE COMMUNITY RATE.~~

31 (5) ~~A CARRIER MAY ADJUST THE COMMUNITY RATE FOR HEALTH~~
 32 ~~STATUS ONLY FOR HEALTH BENEFIT PLANS ISSUED TO SMALL EMPLOYERS WITH 15~~

~~1 OR FEWER ELIGIBLE EMPLOYEES AT THE TIME OF INITIAL ISSUANCE OF A HEALTH
2 BENEFIT PLAN.~~

~~3 (6) (I) ON RENEWAL, A CARRIER MAY NOT INCREASE THE PREMIUM
4 RATE FOR A HEALTH BENEFIT PLAN BY MORE THAN 25% OF THE RATE THAT WAS
5 CHARGED IN THE PRECEDING YEAR.~~

~~6 (H) THE LIMITATION UNDER SUBPARAGRAPH (I) OF THIS
7 PARAGRAPH DOES NOT APPLY TO A PREMIUM RATE INCREASE THAT IS BASED ON:~~

- ~~8 1. A CARRIER'S ANNUAL COST AND UTILIZATION TRENDS; OR~~
- ~~9 2. A CHANGE IN THE RATING FACTOR FOR ATTAINED AGE
10 FOR COVERED PERSONS.~~

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

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

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

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

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

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

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

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

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

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

4 **Chapter 409 of the Acts of 2005**

5 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
 6 MARYLAND, That:

7 (f) The Task Force:

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

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

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

13 (iii) expanding the permissible range of products;

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

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

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

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

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

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

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

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

