

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

House Bill 1412 (Delegates Eckardt and Haddaway)
 Health and Government Operations

Health Insurance - Small Group Market - Internet-Based Intermediary Pilot Program

This bill creates an Internet-Based Intermediary Pilot Program. The program must be established on the Eastern Shore and facilitate the purchase of group health insurance by small employers by using an Internet-based intermediary.

The bill takes effect July 1, 2006 and terminates June 30, 2008.

Fiscal Summary

State Effect: Maryland Health Care Commission (MHCC) special fund revenues and expenditures each increase by \$600,000 in FY 2007 for an Internet-based intermediary. Maryland Health Insurance Plan (MHIP) special fund expenditures increase by a potentially significant amount, beginning in FY 2007, to provide subsidies to low-income employees and small employers. Future year estimates reflect the bill’s June 30, 2008 termination date.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
SF Revenue	\$600,000	\$175,000	\$0	\$0	\$0
SF Expenditure	600,000	175,000	0	0	0
Net Effect	\$0	\$0	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Potential meaningful. Small group employers and employees on the Eastern Shore who participate in the program and receive subsidies could obtain health insurance at a lower cost.

Analysis

Bill Summary: MHCC must contract with a person to serve as an Internet-based intermediary under the pilot program. The person that contracts with MHCC cannot be a participant in the small group market, as a carrier, insurance producer, third party administrator, or in any other capacity. The contract must require the intermediary to provide: (1) smart card technology for health savings account claims; (2) electronic coordination with small group market billing administrators; (3) system capability to collect employer premium contribution data; and (4) health savings account banking capability.

The intermediary must establish a web site that provides information on rates, small employer contribution data, and online enrollment. The intermediary must develop a provider network for participating carriers and pretreatment review for participating carriers by a licensed quality review organization, if feasible. It must provide a subsidy for low-income employees and small employers who meet eligibility requirements. Funding for the subsidy comes from MHIP as approved by the board. MHCC must contract with the intermediary by January 1, 2007 and submit a proposal to MHIP for the amount of money needed for the operation and administration of a low-income employee and employer subsidy.

MHCC must report to the General Assembly by January 1, 2008 on the effect of the pilot program on the small group market on the Eastern Shore.

Current Law: The Comprehensive Standard Health Benefit Plan (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. CSHBP is a standard health benefit package (standard plan) that carriers must sell to small businesses (2-50 employees). 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.

The Limited Benefit Plan (LBP) was established in 2004 as an alternative to CSHBP for certain small businesses. It offers a minimal benefit package to small businesses that have not offered CSHBP to employees within the past 12 months and whose employees earn 75% or less of the State's average annual wage.

State Fiscal Effect: MHCC special fund revenues and expenditures could each increase by \$600,000 to contract with an Internet-based intermediary to administer the pilot project, provide smart card technology for health savings account claims; electronic coordination with small group market billing administrators; system capability to collect

employer premium contribution data; and health savings account banking capability. Future year estimates assume a maintenance cost of \$175,000 in fiscal 2008 and that the pilot project terminates on June 30, 2008.

MHCC special fund revenues would also increase by the same amount in fiscal 2007. MHCC is specially funded by user fees imposed on payors and providers. As a result of the increased expenditures, MHCC would increase fees by an amount to exactly offset estimated expenditures.

MHIP special fund expenditures could increase by a significant amount, beginning in fiscal 2007, to provide a subsidy to qualifying low-income employees and small employers. There are insufficient data at this time to reliably estimate the number of individuals and employers who would participate and be eligible for the subsidy.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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