

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 1044
Finance

(Senator Frosh)

Maryland Health Care Provider Rate Stabilization Fund - Eligibility for Subsidy

This bill alters the eligibility criteria for a subsidy from the Maryland Health Care Provider Rate Stabilization Fund during the first year of the subsidy. Under the bill, a policyholder of a medical professional liability insurance policy subject to a rate that was approved for an initial effective date on or after January 1, 2005 but prior to January 1, 2006, *or was paid during that period*, is eligible for the subsidy.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: Any increase in workload could be handled with the existing budgeted resources of the Maryland Insurance Administration (MIA). Expenditures from the Rate Stabilization Account could increase in FY 2007 to pay subsidies to policyholders during the 2004 policy year. The bill would not change the amount allocated to the Rate Stabilization Account.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: The Rate Stabilization Fund consists of two accounts: the Medical Assistance Program Account and the Rate Stabilization Account. Subsidies from the Rate Stabilization Account are provided during fiscal 2006 through 2009 and apply to

policies for calendar 2005 through 2008. Generally, the subsidy provided to each policyholder from the Rate Stabilization Account is:

- for policies subject to rates that were approved for an initial effective date on or after January 1, 2005 but prior to January 1, 2006, the amount of a premium increase that is greater than 5% of the approved rates in effect one year prior to the effective date of the policy; and
- for policies subject to rates that were approved for an initial effective date on or after January 1, 2006, a percentage of the policyholder's premium for the prior year that equals the quotient, measured as a percentage of the balance of the Rate Stabilization Account for the current calendar year divided by the aggregate amount of premiums for medical professional liability insurance that would have been paid by health care providers at the approved rate during the prior calendar year.

Background: For the 2005 policy year, there were four insurers offering medical professional liability insurance in the State. For the largest of those insurers (Medical Mutual Liability Insurance Society of Maryland), the policy year begins on January 1 of each year. For the others, policy years begin later in the year.

State Expenditures: MIA advises that because of the later starting date for policy years for the other insurers, the bill could render some policyholders for these insurers eligible for subsidies in policy year 2004, as well as policy year 2005. This represents an additional year of subsidy. The bill would not change the amount allocated to the Rate Stabilization Account in fiscal 2006, \$52 million, to pay for rate reductions, credits, or refunds in calendar 2005. Because the total amount of subsidy for 2005 is anticipated to be approximately \$35 million, the remaining amount of the fiscal 2006 allocation would be carried forward. Expenditures from the Rate Stabilization Account could increase in fiscal 2007 to provide additional subsidies to the affected policyholders. The amount of the increase cannot be accurately estimated, but it is assumed to be less than this carryover because of the market share of these insurers.

Additional Comments: The amount of the allocations to the insurers (and their policyholders) for the 2006 policy year is not anticipated to change because it is assumed that the carryover from the fiscal 2006 allocation would be sufficient to handle any additional subsidy payments under the bill.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Health Claims Alternative Dispute Resolution Office,
Department of Health and Mental Hygiene, Maryland Insurance Administration,
Department of Legislative Services

Fiscal Note History: First Reader - March 21, 2006
ncs/ljm Revised - Updated Information - March 22, 2006

Analysis by: T. Ryan Wilson

Direct Inquiries to:
(410) 946-5510
(301) 970-5510