SB 325

Department of Legislative Services

Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 325 (Senator Astle, *et al.*)

Finance Health and Government Operations

Joint Legislative Task Force on Small Group Market Health Insurance - Report and Modification of Duties

This bill extends the date by which the Joint Legislative Task Force on Small Group Market Health Insurance must report to specified legislative committees from January 1, 2006 to July 1, 2007. In addition, it requires the task force to study and report on the use of a State-subsidized reinsurance pool and the feasibility of establishing a health insurance exchange to strengthen the small group market.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: Any continued expense reimbursements for task force members and staffing costs for the Department of Legislative Services are assumed to be minimal and absorbable within existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The Joint Legislative Task Force on Small Group Market Health Insurance was created by Chapter 409 of 2005 to study and make recommendations on rate adjustments, medical loss ratios, association health plans and the Limited Benefit Plan. The task force met twice during the 2005 interim, but has not yet issued a report.

The Comprehensive Standard Health Benefit Plan (CSHBP) is a standard health benefit package (standard plan) that carriers must sell to small businesses (2-50 employees). Carriers must offer the standard plan to all small businesses, but may sell additional benefits or enhancements through riders. Any riders must be offered and priced separately.

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.

Carriers must use a community rate for a health benefit plan. The community rate must be based on the experience of all risks covered by that health benefit plan without regard to health status or occupation or any other factor not specifically authorized by law. The rate may only be adjusted for age and geographical location. Based on these adjustments, a carrier may charge a rate that is 40% above or below the community rate.

Background: 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. MIA and the Maryland Health Care Commission (MHCC) have joint responsibility for administering CSHBP. MIA must approve contracts, rates, and forms, as well as monitor carriers marketing. MHCC is responsible for the design and annual review of CSHBP.

Additional Information

Prior Introductions: This bill is similar to HB 1017/SB 961 of 2005 as they were introduced. Both bills were amended to create a joint legislative task force on the small group market. HB 1017, as amended, was signed into law (Chapter 409 of 2005).

Cross File: HB 608 (Delegate Kach) – Health and Government Operations.

Information Source(s): Department of Health and Mental Hygiene, Maryland Insurance Administration, Office of the Attorney General (Consumer Protection), Department of Legislative Services

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