

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 577 (Delegate Kullen, *et al.*)
Health and Government Operations

Health Insurance - Small Group Market - Self-Employed Individuals and Sole Proprietors

This bill permits self-employed individuals and sole proprietors to enroll in the small group health insurance market by changing the termination date from September 30, 2008 to September 30, 2006 for the provision that removed them from the small group market. Further, it repeals the requirement that the Maryland Insurance Administration (MIA) and the Maryland Health Insurance Plan (MHIP) submit a report to specified committees on the effect of excluding self-employed individuals and sole proprietors from the small group market, as well as the number of self-employed individuals and sole proprietors enrolled in MHIP.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: MIA could enforce the self-employed coverage requirements with existing budgeted resources. Revenues would not be affected.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

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

Background: Chapter 347 of 2005 removed self-employed individuals and sole proprietors from the small group market. Individuals enrolled in the small group market on September 30, 2005 were permitted to remain covered under specified conditions, and self-employed individuals not already insured in the small group market had the option of enrolling in MHIP, if they could not get coverage in the individual market. MIA and MHIP are required to report to specified committees on the effect of excluding individuals from the small group market and the effect of the exclusion on the availability and affordability of health insurance. These provisions terminate September 30, 2008.

Small Business Effect: In 2004, approximately 51,000 small businesses provided insurance coverage to 452,000 coverage lives in the small group market. Each policy carried an average 1.812 covered lives. Self-employed individuals who are healthy and require little medical care would generally purchase less-expensive policies in the individual market, leaving individuals with chronic health problems to purchase the guaranteed-issue policies in the small group market. To the extent high-risk self-employed individuals select coverage in the small group market, small group market insurance rates could increase.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - February 6, 2006
ncs/jr

Analysis by: Susan D. John

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