

HOUSE BILL 339

C3

7lr1444

By: **Delegates Costa, Boteler, Bromwell, Impallaria, Kach, Kaiser, J. King, Kipke, McDonough, Oaks, Pena-Melnyk, and Weldon**

Introduced and read first time: February 1, 2007

Assigned to: Health and Government Operations

A BILL ENTITLED

1 AN ACT concerning

2 **Health Insurance – Small Group Market – Health Benefit Plans – Rates**

3 FOR the purpose of altering the factors a carrier may use to adjust the community
4 rate for certain health benefit plans offered in the small group market; altering
5 a certain limit on the rate a carrier may charge based on adjustments to the
6 community rate; authorizing a carrier to offer a discounted rate to a small
7 employer for eligible employees of the small employer who are nonsmokers or
8 participate in a certain wellness program; defining a certain term; providing for
9 the application of this Act; and generally relating to rates for health benefit
10 plans offered in the small group market.

11 BY repealing and reenacting, without amendments,
12 Article – Insurance
13 Section 15–1201(a) and (d)
14 Annotated Code of Maryland
15 (2006 Replacement Volume and 2006 Supplement)

16 BY adding to
17 Article – Insurance
18 Section 15–1201(r)
19 Annotated Code of Maryland
20 (2006 Replacement Volume and 2006 Supplement)

21 BY repealing and reenacting, with amendments,
22 Article – Insurance

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



Section 15–1205
Annotated Code of Maryland
(2006 Replacement Volume and 2006 Supplement)

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

Article – Insurance

15–1201.

(a) In this subtitle the following words have the meanings indicated.

(d) “Commission” means the Maryland Health Care Commission established
under Title 19, Subtitle 1 of the Health – General Article.

**(R) (1) “WELLNESS PROGRAM” MEANS A PROGRAM OR ACTIVITY
THAT:**

**(I) IS DESIGNED TO IMPROVE HEALTH STATUS AND
REDUCE HEALTH CARE COSTS; AND**

**(II) COMPLIES WITH GUIDELINES DEVELOPED BY THE
COMMISSION.**

**(2) “WELLNESS PROGRAM” INCLUDES PROGRAMS AND
ACTIVITIES FOR:**

(I) SMOKING CESSATION;

(II) REDUCTION OF ALCOHOL MISUSE;

(III) WEIGHT REDUCTION;

(IV) NUTRITION EDUCATION; AND

(V) AUTOMOBILE AND MOTORCYCLE SAFETY.

15–1205.

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

5 (2) A carrier may adjust the community rate only for[:

6 (i)] age[; and

7 (ii) geography based on the following contiguous areas of the
8 State:

- 9 1. the Baltimore metropolitan area;
- 10 2. the District of Columbia metropolitan area;
- 11 3. Western Maryland; and
- 12 4. Eastern and Southern Maryland].

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

15 (4) **A CARRIER MAY OFFER A DISCOUNTED RATE TO A SMALL**
16 **EMPLOYER FOR ELIGIBLE EMPLOYEES OF THE SMALL EMPLOYER WHO:**

17 (I) **ARE NONSMOKERS; OR**

18 (II) **PARTICIPATE IN A WELLNESS PROGRAM.**

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

22 (c) Based on the [adjustments] **ADJUSTMENT** allowed under subsection
23 (a)(2) of this section, a carrier may charge a rate that is [40%] **50%** above or below the
24 community rate.

25 (d) (1) A carrier shall base its rating methods and practices on commonly
26 accepted actuarial assumptions and sound actuarial principles.

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

4 (i) use in its rating methodology an adjustment that reflects the
5 subrogation; and

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

9 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to
10 all health benefit plans issued, delivered, or renewed in the State on or after October
11 1, 2007.

12 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
13 October 1, 2007.