

CHAPTER 600

(House Bill 339)

AN ACT concerning

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

FOR the purpose of ~~altering the factors a carrier may use to adjust the community rate for certain health benefit plans offered in the small group market;~~ altering a certain limit on the rate a carrier may charge based on adjustments to the community rate for certain health benefit plans offered in the small group market; authorizing a carrier to offer a ~~discounted rate~~ discount to a small employer for ~~eligible employees of the small employer who are nonsmokers or participate~~ participation in a certain wellness program; requiring the discount to be applied to reduce a certain rate, actuarially justified, offered uniformly to all small employers, and approved by the Maryland Insurance Commissioner; requiring the Maryland Health Care Commission, on or before a certain date, to adopt regulations to require carriers to collect and report certain participation data; requiring the Commission, on or before a certain date, to report to the Governor and certain legislative committees regarding the effect of a certain rate adjustment on participation in certain health benefit plans; providing for the termination of this Act; defining a certain term; ~~providing for the application of this Act;~~ and generally relating to rates for health benefit plans offered in the small group market.

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

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

BY repealing and reenacting, with amendments,
Article – Insurance
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.

(a) (1) In establishing a community rate for a health benefit plan, a carrier shall use a rating methodology that is 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 under this subsection.

(2) A carrier may adjust the community rate only for~~fe~~:

(i)~~1~~ age~~fe~~; and

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

1. the Baltimore metropolitan area;
2. the District of Columbia metropolitan area;
3. Western Maryland; and
4. Eastern and Southern Maryland~~fe~~.

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

(4) (I) ~~A~~ SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, AFTER APPLYING THE RISK ADJUSTMENT FACTORS UNDER PARAGRAPH (2) OF THIS SUBSECTION, A CARRIER MAY OFFER A DISCOUNTED RATE DISCOUNT NOT TO EXCEED 20% TO A SMALL EMPLOYER FOR ELIGIBLE EMPLOYEES OF THE SMALL EMPLOYER WHO:

~~(I) ARE NONSMOKERS; OR~~

~~(II) PARTICIPATE~~ PARTICIPATION IN A WELLNESS PROGRAM.

(II) A DISCOUNT OFFERED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH SHALL BE:

1. APPLIED TO REDUCE THE RATE OTHERWISE PAYABLE BY THE SMALL EMPLOYER;

2. ACTUARIALLY JUSTIFIED;

3. OFFERED UNIFORMLY TO ALL SMALL EMPLOYERS;
AND

4. APPROVED BY THE COMMISSIONER.

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

(c) **(1)** Based on the ~~adjustments~~ **ADJUSTMENT** allowed under subsection (a)(2) of this section, a carrier may charge a rate that is ~~40%~~ **50%** above or **50%** below the community rate.

(2) (I) ON OR BEFORE OCTOBER 1, 2007, THE COMMISSION SHALL ADOPT REGULATIONS THAT REQUIRE CARRIERS TO COLLECT AND REPORT TO THE COMMISSION DATA ON PARTICIPATION, BY RATE BAND, IN HEALTH BENEFIT PLANS ISSUED, DELIVERED, OR RENEWED UNDER THIS SUBTITLE.

(II) ON OR BEFORE JANUARY 1, 2011, THE COMMISSION SHALL REPORT TO THE GOVERNOR AND, IN ACCORDANCE WITH § 2-1246 OF THE STATE GOVERNMENT ARTICLE, THE SENATE FINANCE COMMITTEE AND THE HOUSE HEALTH AND GOVERNMENT OPERATIONS COMMITTEE REGARDING THE EFFECT OF THE 50% RATE ADJUSTMENT AUTHORIZED UNDER PARAGRAPH (1) OF THIS SUBSECTION ON PARTICIPATION IN HEALTH BENEFIT PLANS ISSUED, DELIVERED, OR RENEWED UNDER THIS SUBTITLE.

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

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

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

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

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

SECTION ~~2.~~ 2. AND BE IT FURTHER ENACTED, That this Act shall take effect ~~October~~ July 1, 2007. It shall remain effective for a period of 4 years and, at the end of June 30, 2011, with no further action required by the General Assembly, this Act shall be abrogated and of no further force and effect.

Approved by the Governor, May 17, 2007.