

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

House Bill 262 (Delegate Rudolph)
Health and Government Operations

Health Insurance - Small Group Market - Wellness Activities - Discount

This bill permits a health insurer, nonprofit health service plan, or HMO (carrier) to offer a discounted premium rate for participation in wellness activities to individuals enrolled in the Comprehensive Standard Health Benefit Plan (CSHBP) sold in the small group market.

A wellness activity is a program or activity, consistent with guidelines developed by the Maryland Health Care Commission, such as smoking cessation, injury and accident prevention, exercise, nutrition education, and other similar activities, for the purpose of improving health and reducing health care costs.

Fiscal Summary

State Effect: Potential minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the \$125 rate and form filing fee in FY 2008. The review of rate filings could be handled with existing MIA resources.

Local Effect: None.

Small Business Effect: Potential meaningful. To the extent small business employees participate in wellness programs and carriers subsequently provide premium discounts, small business health insurance expenditures could decrease.

Analysis

Current Law: CSHBP is a standard health benefit package (standard plan) that carriers must sell to small businesses (50 or fewer 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. Premiums must be based on the experience of all risks covered by a particular health benefit plan without regard to health status or occupation. A carrier may adjust the rate only for age and geographical location.

The federal Health Insurance Portability and Accountability Act of 1996 includes nondiscrimination provisions that generally prohibit differential deductibles, copayments, or other cost-sharing for similar individuals in group health plans. However, plans may offer wellness programs provided that the program is offered to all similarly situated individuals and no reward is given or none of the conditions for obtaining a reward are based on satisfying a standard related to a specific health factor.

Federal regulations effective for plan years beginning on or after July 1, 2007 allow a wellness program reward to be based on an individual satisfying a standard related to a health factor if the reward meets the following requirements:

- the total reward for all the plan's wellness programs that require satisfaction of a standard related to a health factor must be limited to 20% of the cost of employee-only coverage under the plan;
- the program must be reasonably designed to promote health and prevent disease;
- the program must give individuals eligible to participate the opportunity to qualify for the reward at least once per year;
- the reward must be available to all similarly situated individuals; and
- the plan must disclose in all materials describing the terms of the program the availability of a reasonable alternative standard (or the possibility of a waiver of the initial standard).

Background: In an effort to stem increasing health insurance and medical costs, many employers offer health insurance premium discounts to enrollees who participate in wellness programs. In 1998, the U.S. Department of Labor estimated that premium discounts associated with wellness programs ranged from \$60 to \$500 and averaged \$240 per participant.

Other states have enacted legislation to provide wellness incentives. In 2006, Michigan enacted legislation requiring health insurance carriers to provide premium rebates to

group health plans in which a majority of employees or members enroll and maintain participation in group wellness programs. The rebates apply to the individual policies of those who participate in the wellness programs. In 2004, New Hampshire authorized insurers in the small group and individual market to use a rating factor to discount premium rates for plans, giving monetary incentives for participants in wellness or disease management programs.

Additional Information

Prior Introductions: An identical bill was introduced in the 2004 session as HB 312 and received an unfavorable report from the House Health and Governmental Operations Committee.

Cross File: None.

Information Source(s): *Employee Benefits in Medium and Large Private Establishments* (January 1998), U.S. Department of Labor, U.S. Department of Labor (Employee Benefits Security Administration), National Conference of State Legislatures, Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

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