

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 952

(Senators Middleton and Madaleno)

Finance

Health and Government Operations

Health Insurance - Small Group Market - Choice of Policies for Sole Proprietors

This bill permits self-employed individuals and sole proprietors enrolled in the small group market on September 30, 2005 to remain covered under any policy issued by the carrier to small employers and selected by the enrollee at renewal.

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: Potential minimal increase in special fund revenues for the Maryland Insurance Administration (MIA) from the \$125 rate and form filing fee in FY 2008. No effect on expenditures.

Local Effect: None.

Small Business Effect: Minimal. A small number of self-employed individuals and sole proprietors could have additional health insurance options in the small group market under this bill.

Analysis

Current Law: Chapter 347 of 2005 made self-employed individuals and sole proprietors ineligible for health insurance coverage in the small group market. Self-employed individuals and sole proprietors enrolled in the small group market on September 30, 2005 were permitted to remain covered, provided the enrollee continues to work and reside in the State, and is a self-employed individual. Self-employed individuals not

already insured in the small group market had the option of enrolling in the Maryland Health Insurance Plan (MHIP), if they could not get coverage in the individual market. The Act's provisions related to eligibility for small group coverage terminate September 30, 2008. MIA and MHIP must submit a report by September 1, 2008 on the effect of excluding self-employed individuals and sole proprietors from the small group market on the availability and affordability of health insurance in the small group market and the number of self-employed individuals and sole proprietors enrolled in MHIP.

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.

In 2005, approximately 51,000 small businesses provided coverage to 448,000 coverage lives in the small group market at an average cost of \$4,573. Each policy carried an average 1.812 covered lives. Self-employed individuals who were healthy and required little medical care had the option to purchase less-expensive policies in the individual market. The bill should not have a material effect on rates in the small group market.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 14, 2007
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Analysis by: Jennifer B. Chasse

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

