

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1283 (Chair, Health and Government Operations Committee) (By Request –
Departmental – Insurance Administration, Maryland)

Health and Government Operations

Finance

Maryland Health Insurance Plan - Authority

This emergency departmental bill authorizes the Maryland Health Insurance Plan (MHIP) to offer members an optional endorsement to remove a preexisting condition limitation, if such a limitation is implemented. MHIP may charge an actuarially justified additional premium amount for the endorsement, subject to approval by the Maryland Insurance Commissioner. The bill also permits MHIP to charge different premiums based on the cost-sharing arrangement when more than one cost-sharing arrangement is offered.

Fiscal Summary

State Effect: It is anticipated that the effect of the bill on the finances of the Maryland Insurance Administration (MIA) would be revenue neutral.

Local Effect: None.

Small Business Effect: MIA has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: MHIP is an independent unit of MIA. Created by Chapter 153 of 2002, this high-risk pool plan provides health insurance coverage to medically uninsurable individuals. MHIP is funded primarily by enrollee premiums and an assessment on each hospital's base rate.

MHIP may impose a preexisting condition limitation on enrollees who lack prior coverage similar to MHIP. The exclusion would for a specified period of time exclude coverage for treatment related to conditions that existed prior to initiation of MHIP coverage. MHIP may alter premiums based on family composition, age, and income, as well as the benefit package delivery system when more than one system is offered.

Background: The Governor's proposed fiscal 2008 budget includes \$84.9 million for MHIP. MHIP's fund balance at the end of fiscal 2007 is expected to be \$125.5 million. As of December 2006, MHIP had 9,951 enrollees.

The purpose of preexisting condition limitations, common in the commercial insurance market, is to discourage adverse selection that would result from applicants foregoing the purchase of health insurance coverage until medical services are necessary. Preexisting condition limitations lower insurers' losses on new applicants during the initial enrollment period when the exclusion is imposed.

MHIP has not imposed preexisting condition limitations since June 2004. However, in March 2007, the MHIP board voted to institute a two-month preexisting condition limitation. MHIP's actuary estimates that a two-month preexisting condition limitation will result in savings of \$3.5 million. MHIP currently offers more than one cost-sharing arrangement to enrollees, but is unable to charge a differential premium.

The emergency status of the bill would allow MHIP to notify enrollees of changes to the program prior to open enrollment, which begins July 1, 2007.

Additional Information

Prior Introductions: HB 1328 of 2005, as introduced, included provisions permitting MHIP to offer optional endorsements to be purchased by enrollees and to add a surcharge to a premium for optional endorsements purchased by an enrollee. These provisions were not included in HB 1328 as it passed the House and received a favorable report from the Senate Finance Committee.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

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