HB 339

Department of Legislative Services

Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

House Bill 339 (Delegate Costa, *et al.*)
Health and Government Operations Finance

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

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This bill authorizes a carrier in the small group market to charge a rate that is 50% below the community rate and offer a discounted rate of up to 20% to a small employer for participation in a wellness program.

The bill takes effect July 1, 2007 and terminates June 30, 2011.

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. Widening of the rate band from 40% to 50% below the community rate could increase premiums for some small employers, while decreasing premiums for other small employers. To the extent small businesses participate in wellness programs and carriers subsequently provide premium discounts, small business health insurance expenditures could decrease.

Analysis

Bill Summary: A wellness program is a program or activity designed to improve health status and reduce health care costs, and complies with the guidelines developed by the Maryland Health Care Commission (MHCC). Wellness program includes programs and activities for smoking cessation, reduction of alcohol misuse, weight reduction, nutrition education, and automobile and motorcycle safety.

Any discount for participation in a wellness program must 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 Insurance Commissioner.

MHCC must adopt regulations by October 1, 2007 that require carriers to collect and report on participation, by rate band, in health benefit plans issued, delivered, or renewed under the bill. By January 1, 2011, MHCC must report to the Governor and the General Assembly on the effect of the 50% rate adjustment authorized under the bill.

Current Law: The Comprehensive Standard Health Benefit Plan (CSHBP) is a standard health benefit package (standard plan) that carriers must sell to small businesses (2-50 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.

Carriers must use a community rate for a health benefit plan. The community rate must be 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 by law. The rate may only be adjusted for age and geographical location. Based on these adjustments, a carrier may charge a rate that is 40% above or below the community rate.

Federal regulations effective for plan years beginning on or after July 1, 2007 allow a wellness program reward to be based on a 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).

Under these regulations, a group health plan could provide a reduced premium to nonsmoking individuals, but could not penalize members who smoke.

Background: CSHBP was established in 1994 as a result of health care reforms adopted by the General Assembly to provide better access to coverage in the small group market. MIA and MHCC have joint responsibility for administering CSHBP. MIA must approve contracts, rates, and forms, as well as monitor carriers marketing. MHCC is responsible for the design and annual review of CSHBP.

In 2005, approximately 51,000 small businesses provided insurance to 448,000 covered lives in the small group market at an average cost per employee of $4,573 in 2005. Although the number of employers and covered lives in the small group market have declined since their peak in 1998 and 1999, there are still 7,400 more employers and 45,000 more individuals covered than were prior to 1995.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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Analysis by: Jennifer B. Chasse

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