

**Department of Legislative Services
Maryland General Assembly
2008 Session**

FISCAL AND POLICY NOTE

House Bill 462 (Delegate Pendergrass)
Health and Government Operations

Finance

Health Insurance - Small Group Market - Self-Employed Individuals - Sunset Extension

This bill extends from September 30, 2008 to September 30, 2011 the termination date on a provision of law that excludes self-employed individuals and sole proprietors from the small group health insurance market.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: None. The bill would not directly affect State finances.

Local Effect: None.

Small Business Effect: Meaningful. Self-employed individuals and sole proprietors would continue to be prohibited from enrolling in the small group market until 2011.

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 have the option of enrolling in the Maryland Health Insurance Plan, if they cannot get coverage in the individual market.

The provisions related to eligibility for small group coverage are scheduled to terminate on September 30, 2008.

The Maryland Insurance Administration 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.

Background: The Comprehensive Standard Health Benefit Plan is a standard health benefit package that carriers must sell to small businesses (2 to 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.

Additional Comments: Approximately 30% of MHIP's 12,468 enrollees (3,470) are self-employed. Due to a declining fund balance, MHIP is likely to cap enrollment at between 13,000 and 14,000 members in the near future. To the extent that self-employed individuals are not allowed to enter the small group market in September 2008, it will place continued pressure on MHIP's enrollment capacity.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 12, 2008
ncs/ljm

Analysis by: Jennifer B. Chasse

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