

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 65

(Senator Brochin)

Finance

Health Insurance - Small Group Market - Coverage of Child Dependents

This bill requires the Maryland Health Care Commission (MHCC) to include the coverage of child dependents required in the individual and group health insurance market in the Comprehensive Standard Health Benefit Plan (CSHBP).

The bill takes effect June 1, 2008 and applies to all policies, contracts, and health benefit plans issued, delivered, or renewed in the State on or after July 1, 2008.

Fiscal Summary

State Effect: Potential minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the \$125 rate and form filing fee beginning in FY 2009. The review of rate filings could be handled within existing MIA resources.

Local Effect: None.

Small Business Effect: Potential meaningful. Requiring coverage of eligible child dependents in the CSHBP will likely result in increased premiums of 0.5 to 1.1% and may have tax and accounting implications for small employers.

Analysis

Current Law: Chapter 639 of 2007 requires insurers, nonprofit health service plans, and HMOs to allow a child dependent to remain on an insured's plan until age 25. A "child dependent" means a child, stepchild, adopted child, grandchild, child placed for legal

adoption, or other child entitled to dependent coverage that is younger than 25, unmarried, and meets the definition of a dependent under federal law and regulation.

Each health insurance policy or contract issued in Maryland that provides coverage for dependents must • include coverage for a child dependent; • provide the same benefits to a child dependent that are available to any other covered dependent; and • provide benefits to a child dependent at the same rate or premium applicable to any other covered dependent. Chapter 639 does not apply to CSHBP.

Background: In order for mandated health insurance benefits to apply to CSHBP, they must be affirmatively adopted by MHCC. At its November 15, 2007 meeting, MHCC approved a staff recommendation allowing CSHBP carriers to offer employers a rider covering child dependents up to age 25. MHCC plans to further study this option in the small group market over the coming year.

CSHBP is a standard health benefit package (standard plan) 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 no 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 calendar 2006, CSHBP covered 51,022 employer groups and 429,431 covered lives. The overall cost of CSHBP was at 91% of the affordability cap.

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

