Department of Legislative Services

Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 272 (Delegate Mizeur, *et al.*)
Health and Government Operations

Maryland Coverage Affordability and Revenue Efficiency Standards Act

This bill increases required loss ratios for carriers in the individual, small group, and Medicare supplement policy markets and authorizes the Insurance Commissioner to require a minimum loss ratio in the large group market.

The bill takes effect July 1, 2009 and applies to all policies, contracts, certificates, and health benefit plans issued, delivered, or renewed on or after January 1, 2010.

Fiscal Summary

State Effect: Minimal increase in special fund revenues for the Maryland Insurance Administration (MIA) beginning in FY 2010 from the $125 rate and form filing fee. Review and approval of forms and rate filings and enforcement of the bill's provisions can be handled with existing budgeted resources.

Local Effect: None.

Small Business Effect: Potential minimal. To the extent that higher loss ratio requirements lower premiums in the small group market, small business expenditures on health insurance may decrease.

Analysis

Bill Summary: The minimum loss ratio in the small group market is increased to 85%. In the individual market, the minimum loss ratio is raised to 80% for calendar year 2010, 81% for calendar year 2011, and 82% for calendar year 2012 and subsequent years.

Minimum loss ratios for Medicare supplement policies are increased to 85% for group policies and 80% for individual policies. A minimum loss ratio of 85% is authorized for the large group market.

Current Law: Loss ratios are the ratio of incurred claims to premiums earned (the share of premium revenues spent on medical care). Carriers must include loss ratios for all health benefit plans specific to the State in their required annual reports to the Insurance Commissioner. The Commissioner may require an insurer, nonprofit health service plan, or HMO to file new rates if the loss ratio is less than 75% in the small group market and 60% in the individual market. The minimum acceptable loss ratio for Medicare supplement policies is 75% for group policies and 65% for individual policies. Medicaid managed care organizations must have loss ratios of at least 85% or are subject to adjustment of capitation rates. Minimum loss ratios are not required in the large group market.

Background: Federal law generally requires states to adopt standards for Medicare supplement policies that are at least as stringent as National Association of Insurance Commissioner model regulations, which include minimum loss ratios of 75% for group policies and 65% for individual policies. Several states require insurers to meet minimum loss ratios in the small group and individual markets as well in order to increase the portion of premium dollars dedicated to medical services. Large group policies are typically not subject to loss ratios.

Additional Comments: Although there is no cross file, SB 79 of 2009 contains similar provisions relating to loss ratios.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 10, 2009
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