

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 84 (Chair, Finance Committee)(By Request - Departmental - Insurance Administration, Maryland)

Finance

Health and Government Operations

Health Insurance - Medicare Coverage and Continuation Coverage - Provisions That Relate to Federal Laws and Programs

This emergency departmental bill reenacts provisions of law established under Chapter 289 of 2005, which terminated on June 30, 2008. Carriers that sell Medicare supplement plan policies must make available a Medicare supplement policy plan A to disabled individuals younger than age 65 during the six-month period after the individual enrolls in Medicare Part B. A carrier may not charge such individuals a rate higher than the average of the premiums paid by all policy holders age 65 and older in the State who are covered under that plan A policy.

The bill also authorizes individuals in small firms who were involuntarily terminated from their jobs to have a second opportunity to elect continuation coverage of their health benefits and obtain a federal subsidy of their premium. Additionally, minimum requirements for Medicare supplement policies are altered to align with the minimum benefits required by federal law.

Fiscal Summary

State Effect: None. The provisions of the bill relating to Medicare supplement policy plans permanently codify existing practice. The provisions relating to continuation of coverage will have no fiscal impact. There will be no additional rate or form filings under the bill.

Local Effect: None.

Small Business Effect: The Maryland Insurance Administration (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

Bill Summary: A carrier may not deny, reduce, or condition coverage for a Medicare supplement policy plan A because of an individual's health status, claims experience, receipt of health care, or medical condition. This prohibition extends to carriers that did not make available a Medicare supplement policy plan A to a disabled individual younger than age 65 or charged such an individual a rate higher than that allowed under the bill between July 1, 2008 and the effective date of the bill. However, the individual must be enrolled with that carrier in a Medicare supplement policy plan C and apply for a Medicare supplement policy plan A with that same carrier within 63 days of the policy plan C renewal date.

Current Law: Medicare supplement policies must meet federal requirements and are subject to minimum State standards. For individuals age 65 and older, federal law provides a one-time-only open enrollment period during the first six months after enrollment in Medicare Part B. During this period, an individual can buy any Medicare supplement policy sold in the State and cannot be denied coverage or charged more due to past or present medical conditions. Maryland law requires carriers to extend a similar, limited open enrollment period to individuals younger than age 65 who are eligible for Medicare due to a disability. Carriers must offer these individuals Medicare supplement plans C and I during the six-month period after the individual enrolls in Medicare Part B if those plans are offered by the carrier to individuals eligible for Medicare due to age.

The federal Consolidated Omnibus Budget Reconciliation Act (COBRA) gives workers and their families who lose their health benefits the right to choose to continue group health benefits for limited periods of time under certain circumstances. Individuals who work for employers with 20 or more employees qualify for COBRA under federal law, while individuals who work for employers with up to 19 employees qualify for COBRA under State law.

Background: Medicare supplement policies pay some health care costs not covered by Medicare, such as copayments, with some providing additional benefits not included under Medicare. Carriers may offer 12 standardized Medicare supplement plans (plans A through L). All plans must provide the same basic benefits to allow for ease of comparison by consumers.

Medicare supplement plan A provides basic benefits, including additional inpatient hospitalization, coinsurance and copayments for outpatient medical services, and blood products. Medicare supplement plan C covers these basic benefits plus nursing home coinsurance, Medicare Part A and B deductibles, and foreign travel emergencies. Medicare supplement plan I covers these benefits plus Medicare Part B excess charges and at-home recovery.

Chapter 289 of 2005 required MIA to study the impact of the Act on the availability and affordability of Medicare supplement policies in Maryland. A December 2007 MIA report found that the Act's provisions were beneficial to Marylanders. Under Chapter 289, Medicare supplement policies were widely available in the State and three new carriers entered the market. MIA found that the Act did not impact the affordability of rates for Medicare supplement plans other than plan A, with carriers reducing plan A premiums for disabled individuals younger than age 65 and increasing plan A premiums within a normal range for individuals age 65 and older.

The federal American Recovery and Reinvestment Act of 2009 (ARRA) provides certain individuals involuntarily terminated by their employer a 65% premium subsidy for up to nine months to help cover the costs of continuing their group health benefits under COBRA.

This premium subsidy is available to individuals who were involuntarily terminated after September 1, 2008, and before December 31, 2009. For those individuals who became eligible for COBRA before February 16, 2009, (the date of enactment of ARRA) but who initially declined coverage, a second COBRA election period is provided. However, this second election period is automatic only for those individual who qualify for COBRA under federal law (employers with 20 or more employees). States must act to authorize this second election period to those who qualify for COBRA under state law (employers with up to 19 employees).

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 - January 19, 2009
mcp/mwc Revised - Enrolled Bill - May 19, 2009

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Medicare Supplement Plan A Policies – Individuals with a Disability - Rates

BILL NUMBER: SB 84

PREPARED BY: Maryland Insurance Administration

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.