

Department of Legislative Services  
Maryland General Assembly  
2009 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 1538 (Delegate Rudolph, *et al.*)

Health and Government Operations

Finance

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Health Insurance - High Deductible Plans and Limited Benefit Plans for  
Uninsured Individuals - Chesapeake Region Pilot Project

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This bill authorizes a nonprofit health service plan to limit the issuance of its high deductible health plan or issue a limited benefit health insurance contract without evidence of individual insurability to specified individuals and their family members in Cecil, Harford, and Kent counties.

The bill takes effect July 1, 2009, and terminates June 30, 2012. The bill applies to all high deductible health plans and limited benefit health insurance contracts issued or delivered by a nonprofit health service plan in the State on or after July 1, 2009.

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Fiscal Summary

**State Effect:** Minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the \$125 rate and form filing fee in FY 2010. Review of filings can be handled with existing MIA budgeted resources.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Bill Summary:** A nonprofit health service plan may limit the issuance of its high deductible health plan or issue a limited benefit health insurance contract to “qualifying individuals” and their family members. “Qualifying individual” means a resident of Cecil, Harford, or Kent counties who does not qualify for a public or private health

benefit plan (including employer-sponsored coverage, Medicare, Medicaid, or Tricare) and has been uninsured for at least 12 months immediately preceding the date of application for coverage.

A limited benefit health insurance contract is issued without evidence of individual insurability and must comply with all requirements applicable to a health benefit plan issued by a nonprofit health service plan with the exception of requirements relating to reimbursement of health care providers and most mandated health insurance benefits. Nevertheless, limited benefit health insurance contracts must specifically include the following mandated benefits: (1) coverage of mental illness and drug and alcohol abuse; (2) hospitalization benefits for childbirth; (3) reconstructive breast surgery; (4) referrals to specialists; (5) prescription drugs and devices; (6) minimum length of stay for mastectomies; and (7) extension of benefits. A nonprofit health service plan has to disclose that the limited benefit health insurance contract does not provide comprehensive health coverage or all the benefits required in other health insurance contracts issued in the State.

By January 1, 2012, MIA, in consultation with a nonprofit health service plan, has to report on the number of individuals who receive health care coverage as a result of the pilot project and the potential to expand the pilot project to other jurisdictions in the State.

**Current Law:** Generally, health insurance policies and contracts must include certain eligibility and continuation of coverage provisions such as covering specified individuals under a policy, providing continuation coverage for specified individuals, and allowing individuals to convert a policy under specified circumstances. Under Title 15, Subtitle 7 of the Insurance Article, insurance policies, contracts, and certificates must reimburse for any covered service if a practitioner is providing services within the lawful scope of practice. Policies, contracts, and certificates must provide the option of covering services rendered by a certified nurse practitioner and must reimburse for covered services provided by specified providers. Title 15, Subtitle 8 of the Insurance Article requires certain carriers to provide 43 mandated health insurance benefits.

**Background:** A high deductible health plan has a higher annual deductible than a typical health plan and a maximum limit on the sum of the annual deductible and out-of-pocket medical expenses that an individual must pay for medical expenses. For tax year 2009, the minimum annual deductible is \$1,150 for an individual and \$2,300 for a family and the maximum annual deductible and other out-of-pocket expenses is \$5,800 for an individual and \$11,600 for a family.

A limited benefit plan was available in the small group health insurance market from 2005 through 2008. The plan offered a minimal benefit package to small businesses that

had not offered the Comprehensive Standard Health Benefit Plan to employees within the past 12 months and whose employees earned 75% or less of the State's average annual wage. Although services covered by the plan were comprehensive – including inpatient and outpatient services, preventive care, emergency services, home health and hospice, and prescription drugs – enrollee cost sharing was high, and dollar limits on covered services were stringent. Enrollment in the limited benefit plan was marginal.

The bill establishes a pilot project in Cecil, Harford, and Kent counties under which a nonprofit health service plan can provide previously uninsured individuals and their families with limited health insurance coverage *without medical underwriting*. Enrollees will gain some level of insurance, access to discounted fees for physician services, as well as creditable coverage toward and the ability to purchase other health care products offered by the nonprofit health service plan.

**Additional Comments:** County-specific data on the number of uninsured in Maryland is not available. To the extent the bill reduces the number of uninsured individuals in Cecil, Harford, and Kent counties, uncompensated care expenses will decline. Any reduction is anticipated to be minimal.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Internal Revenue Service; Cecil, Harford, and Kent counties; Maryland Health Insurance Plan; Department of Health and Mental Hygiene; Maryland Insurance Administration; Department of Legislative Services

**Fiscal Note History:** First Reader - March 24, 2009  
ncs/mwc Revised - House Third Reader - April 3, 2009

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