

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

House Bill 39 (Delegate Riley, *et al.*)
Health and Government Operations

Finance

Health Insurance - Out-of-State Association Contracts - Regulation

This bill requires carriers that sell health insurance under an out-of-state association contract to make certain disclosures to Maryland residents.

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

Fiscal Summary

State Effect: Minimal increase in special fund revenues for the Maryland Insurance Administration 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: None.

Analysis

Bill Summary: Carriers that require evidence of individual insurability and offer coverage under an out-of-state association contract must disclose certain information to applicants for coverage under an out-of-state association contract. A carrier must disclose (1) that coverage is conditioned on association membership; (2) all costs related to joining and maintaining membership in the association; (3) that membership fees or dues are in addition to the premium for coverage; (4) that the terms and conditions of coverage are determined by the association and carrier; (5) the health insurance benefits

otherwise mandated in Maryland that are not included in the contract; (6) that the Maryland resident may purchase an individual health benefit plan that includes the mandated benefits that are not included in the contract; (7) that the contract is not regulated by the Insurance Commissioner; and (8) that the terms and conditions of coverage may be changed without the consent of a member. Carriers that collect membership fees or dues on behalf of an association must disclose this information on the enrollment application.

The Commissioner may require a carrier that offers coverage under an out-of-state association contract to report, by March 1 of each year, the number of Maryland residents covered by out-of-state association contracts.

Current Law/Background: Individuals may purchase health insurance through an association that has been issued a group contract for its members. Association health plans provide an alternative to individual policies for those who do not have access to employer-based group coverage; however, they are not group insurance plans and therefore are not subject to the same regulation. Generally, Maryland law does not apply to contracts through associations in other states, even when coverage is provided to residents of Maryland.

Twelve carriers offer nonemployment based health insurance coverage to individuals in Maryland on a medically underwritten basis. Of these, three require the individual to join an out-of-state association (GoldenRule/FACT, Mega Life Insurance Company/NASE, and Time Insurance/Health Advocate Alliance). Other carriers offer coverage directly to an individual or through an association plan (such as AARP).

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): 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