Department of Legislative Services

Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE
Revised

House Bill 803 (Delegate Rudolph, *et al.*)
Health and Government Operations Finance

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

This bill authorizes a nonprofit health service plan or an insurer 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 up to four jurisdictions of the State selected by the Insurance Commissioner.

The bill takes effect July 1, 2010, and terminates when the Maryland Insurance Administration (MIA) notifies the Department of Legislative Services that guaranteed issue of individual insurance plans is available through federal legislation, or on June 30, 2015, whichever comes first. The bill applies to all high deductible health plans and limited benefit health insurance contracts issued or delivered by a nonprofit health service plan or an insurer in the State on or after July 1, 2010.

Fiscal Summary

State Effect: Minimal special fund revenue increase for MIA from the $125 rate and form filing fee in FY 2011, and again as late as FY 2016 with the termination of the bill. Review of filings can be handled with existing MIA budgeted resources. Any impact on uncompensated care is expected to be minimal.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: A nonprofit health service plan or an insurer 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 a State jurisdiction selected to participate in the pilot project 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 or an insurer 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. In addition, the contracts must include discounted fees for health care services that are not covered benefits. A nonprofit health service plan or an insurer 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, 2015, MIA, in consultation with nonprofit health service plans and/or insurers, 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 45 mandated health insurance benefits.

A limited benefit group health insurance contract may be issued only by an insurer or nonprofit health service plan to an employer if the limited group health insurance contract

is issued to provide health coverage only for temporary or part-time employees and their dependents.

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 care, 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 under which a nonprofit health service plan or an insurer can provide previously uninsured individuals and their families with limited health insurance coverage *without medical underwriting*. However, individuals who have a preexisting condition can currently obtain health insurance coverage without medical underwriting through the Maryland Health Insurance Plan. Enrollees in the pilot project 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 or insurer.

The average annual uninsured rate among Maryland's nonelderly (younger than age 65) in 2007-2008 was 14.4%, about 705,000 nonelderly residents.

Additional Information

Prior Introductions: A similar bill, HB 1538 of 2009, passed the House with amendments but received an unfavorable report from the Senate Finance Committee.

Cross File: None.

Information Source(s): Caroline, Calvert, Howard, Montgomery, and Prince George's counties; Baltimore City; Maryland Health Insurance Plan; Department of Health and Mental Hygiene; Maryland Insurance Administration; Department of Legislative Services

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