

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 1015 (Delegate Carter, *et al.*)
Health and Government Operations

Health Insurance Carriers - Declinations of Applications for Coverage - Required Reporting

This bill requires insurers, nonprofit health service plans, and health maintenance organizations (carriers) that offer individual health benefit plans in the State to include in the quarterly reports they submit to the Insurance Commissioner the reason for the declination of each insurance application that was declined. The bill also requires the Insurance Commissioner to post on the Maryland Insurance Administration (MIA) website information provided by carriers and to compile an annual summary report of the information, make the summary report available to the public, and adopt regulations for the form and content of the information provided by carriers.

Fiscal Summary

State Effect: The bill's requirements can likely be handled with existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: For each calendar quarter, a carrier that offers individual health benefit plans in the State must submit to the Commissioner a report that includes the number of applications submitted to the carrier for individual coverage and the number of declinations issued by the carrier for individual coverage. The report must be filed with the Commissioner no later than 30 days after the last day of the quarter for which the information is provided.

In the individual insurance market, carriers are permitted to ask applicants about their health. This information is used for medical underwriting. Based on the health information provided by an applicant, the carrier may approve the applicant at a standard premium, accept the applicant at a higher premium, accept with a rider excluding all coverage for certain medical conditions, or reject the applicant altogether. Carriers are not required to give the applicant the reason for the rejection. Individuals who are rejected or who are accepted with a rider excluding all coverage for certain medical conditions qualify for coverage through the State's high risk pool, the Maryland Health Insurance Plan.

Background: In 2009, MIA reported that, for the period 2004 to 2007, the 10 carriers actively selling health benefits to individuals received 360,969 applications. Of these, 12.2% were rejected and 4.7% were declined coverage unless the applicant agreed to a substandard premium rate or the addition of an exclusionary rider for a particular condition or conditions discovered during the underwriting process. MIA further reported that the percentage of applications denied in Maryland was slightly higher than the industry reported for the nation as a whole (11.3%).

In 2010, the House Health and Government Operations Committee requested that MIA study the impact of requiring insurers to include the specific reason that an application for individual health insurance was declined (as proposed under HB 951 of 2010). MIA concluded that such a requirement would have mandated that carriers report on about 21,721 denied applications in 2010. The report notes that under such a requirement MIA would need to establish standard reporting information in new regulations, while carriers would need to build internal capacity to capture and report such data. MIA further notes that federal health care reforms may diminish the need for, or analysis of, such information.

Additional Information

Prior Introductions: HB 951 of 2010 received an unfavorable report from the House Health and Government Operations Committee.

Cross File: None.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services

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