

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 156

(Chair, Health and Government Operations
Committee)(By Request - Departmental - Health and
Mental Hygiene)

Health and Government Operations

Finance

**Health Insurance - Small Group Market - Self-Employed Individuals - Sunset
Extension**

This departmental bill extends by two years and three months – from September 30, 2011, to December 31, 2013 – the termination date on a provision of law that excludes self-employed individuals and sole proprietors from the small group health insurance market.

The bill takes effect July 1, 2011.

Fiscal Summary

State Effect: The bill does not directly affect State finances. However, special fund revenues and expenditures related to self-employed individuals and sole proprietors enrolled in the Maryland Health Insurance Plan (MHIP) continue through December 31, 2013.

Local Effect: None.

Small Business Effect: The Department of Health and Mental Hygiene has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: Chapter 347 of 2005 made self-employed individuals and sole proprietors ineligible for health insurance coverage in the small group market. Self-employed individuals and sole proprietors enrolled in the small group market on September 30, 2005, were permitted to remain covered, provided they continue to work and reside in the State and are self-employed. Self-employed individuals not already insured in the small group market have the option of enrolling in MHIP if they cannot get coverage in the individual market. The provisions related to eligibility for small group coverage were initially scheduled to terminate on September 30, 2008. Chapter 76 of 2008 extended the termination date for this provision to September 30, 2011.

Background: Chapter 347 of 2005 required the Maryland Insurance Administration and MHIP to submit a report on the effect of excluding self-employed individuals and sole proprietors from the small group market. The December 2008 report concluded that, though prohibited from participating in the small group market, the self-employed have access to health care coverage through the individual market, the association group market, or, if an individual fails medical underwriting, MHIP. The report noted that it was not possible to conclusively determine the impact on the availability and affordability of coverage to small employers of excluding the self-employed from the small group market.

Federal health care reform legislation enacted in 2010, the Patient Protection and Affordable Care Act, requires states to establish a small group market health insurance exchange by December 31, 2013. States must include self-employed and sole proprietors in the small group market exchange. According to the department, the bill is intended to extend the sunset provision on the prohibition against self-employed individuals and sole proprietors participating in the small group market until the small group market exchange required under federal law is operational.

The Comprehensive Standard Health Benefit Plan (CSHBP) is the standard health benefit package (standard plan) that carriers must sell to small businesses (2 to 50 employees) in the small group market. Carriers must offer the standard plan to all small businesses but may sell additional benefits or enhancements through riders. In 2009, the most recent data available, 47,661 employer groups (an estimated 37.6% of Maryland small businesses) purchased CSHBP, covering a total of 381,517 lives.

Additional Comments: Approximately 30% of MHIP's 20,528 enrollees (6,158) are self-employed.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, Maryland Health Insurance Plan, Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - February 8, 2011
ncs/mwc

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Health Insurance – Small Group Market – Self-Employed
Individuals – Sunset Extension

BILL NUMBER: HB 156

PREPARED BY: Department of Health and Mental Hygiene

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