

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 412 (Delegate Cullison)

Health and Government Operations

Finance

Health Insurance - Medical Stop-Loss Insurance - Repeal of Sunset

This bill repeals the termination date of provisions of law relating to medical stop-loss insurance. **The bill takes effect June 1, 2018.**

Fiscal Summary

State Effect: None. The bill does not directly affect State finances.

Local Effect: The bill is not anticipated to materially affect local government operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary/Current Law: “Medical stop-loss insurance” means insurance, other than reinsurance that is purchased by a person other than a carrier or health care provider, to protect the person against catastrophic, excess, or unexpected losses incurred by that person’s obligations to third parties under the terms of a health benefit plan.

Chapter 494 of 2015 increased the minimum attachment points for medical stop-loss insurance issued or delivered in the State and established requirements and prohibitions for medical stop-loss insurance issued to a small employer. The Act also required the Maryland Insurance Administration (MIA) to conduct a specified study on the use of medical stop-loss insurance and submit an interim report by December 1, 2015, and a final report by October 1, 2016. The bill repeals the termination date (June 30, 2018) of these provisions, making them permanent.

Attachment Points

A specific attachment point (the dollar amount in losses attributable to a single individual in a policy year beyond which the medical stop-loss insurer assumes liability for losses incurred by the insured) may be no less than \$22,500. An aggregate attachment point (the percentage of expected claims in a policy year above which the medical stop-loss insurer assumes liability for losses incurred by the insured) may be no less than 120% of expected claims. A medical stop-loss insurer may not renew a policy or contract unless it meets these requirements.

These provisions do not apply to medical stop-loss insurance issued or delivered before June 1, 2015, if the policy or contract maintains a specific attachment point of at least \$10,000 and an aggregate attachment point of at least 115% of expected claims. The provisions also do not apply to the renewal of such insurance issued or delivered on or after June 1, 2015, if the policy or contract (1) is issued or delivered to an employer that, on May 31, 2015, held a policy or contract with a specific attachment point of at least \$10,000 and an aggregate attachment point of at least 115% of expected claims and (2) maintains the same specific and aggregate attachment points.

Stop-loss Insurance Issued to Small Employers

A medical stop-loss insurer may not (1) impose higher cost sharing for a specific individual within a small employer's health benefit plan than is required for other individuals within the plan; (2) decrease or remove stop-loss coverage for a specific individual within a small employer's health benefit plan; or (3) exclude any employee or dependent from a policy or contract based on an actual or expected health status-related factor or condition.

A medical stop-loss insurer must (1) guarantee rates for at least 12 months, unless there is a change in benefits, ownership and control of the small employer, or the number of covered lives by a significant percentage resulting from specified events; (2) pay stop-loss claims incurred during the policy or contract period and submitted within 12 months after the expiration of the policy or contract; and (3) disclose to the small employer the following regarding the contract or policy: total costs, the effective and termination dates, renewal provisions, attachment points, and limitations on coverage.

Background: MIA issued a [Final Report on the Use of Medical Stop-Loss Insurance in Self-Funded Employer Health Plans in Maryland](#) in October 2016. The report found that small employers choosing to self-insure do so in order to offer employees a cost-effective alternative to traditional insurance. Employers appreciate the complexity of the decision to exit the fully insured market in favor of self-insuring and rely on the availability of an affordable medical stop-loss insurance product. MIA concluded that, given the complexity of the decision, the disclosures required under Chapter 494 are beneficial and should be

maintained under the law. Overall, MIA recommended that Maryland (1) maintain its current statutory attachment points; (2) continue to monitor the effects of medical cost inflation; (3) maintain its current disclosure requirements; and (4) maintain its current consumer protections.

Additional Information

Prior Introductions: None.

Cross File: SB 207 (Senator Middleton) - Finance.

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

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