

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 211

(Chair, Finance Committee)(By Request - Departmental -
Maryland Insurance Administration)

Finance

Health Insurance - Federal Conformity - Definitions of Health Benefit Plan

This departmental bill alters definitions of “health benefit plan” to conform to federal regulatory requirements regarding hospital indemnity and fixed indemnity insurance by replacing State law exemptions with federal law exemptions.

Fiscal Summary

State Effect: Any change in State activities does not materially affect State finances.

Local Effect: None.

Small Business Effect: The Maryland Insurance Administration (MIA) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary/Current Law:

Small Group Market

Under § 15-1201 of the Insurance Article, “health benefit plan” does not include hospital indemnity or fixed indemnity insurance if (1) benefits are provided under a separate policy, certificate, or contract; (2) there is no coordination between the benefits and an exclusion of benefits under any group health plan maintained by the same employer; (3) benefits are paid with respect to an event, without regard to whether benefits are provided with respect

to the event under any group health plan maintained by the same employer; and (4) benefits are payable in a fixed dollar amount per period of time, regardless of the amount of expenses incurred.

The bill repeals this language. Instead, hospital indemnity or fixed indemnity insurance in the small group market is exempt from the definition of a health benefit plan if the coverage qualifies under specified federal law (45 CFR § [146.145\(b\)\(4\)](#)).

Individual Market

Under § 15-1301 of the Insurance Article, “health benefit plan” does not include hospital indemnity or fixed indemnity insurance if (1) offered as independent, noncoordinated benefits; (2) benefits are paid in a fixed dollar amount per period of hospitalization, illness, or service, regardless of the amount of expenses incurred and of the amount of benefits provided with respect to the event or service under any other health coverage; and (3) a specified notice is displayed in the application materials.

The bill repeals this language. Instead, hospital indemnity or fixed indemnity insurance in the individual market is exempt from the definition of a health benefit plan if the coverage qualifies under specified federal law (45 CFR § [148.220\(b\)\(4\)](#)).

Large Group Market

Under § 15-1401 of the Insurance Article, “health benefit plan” does not include hospital indemnity or fixed indemnity insurance if benefits are payable in a fixed dollar amount per period of time, regardless of the amount of expenses incurred.

The bill repeals this language. Instead, hospital indemnity or fixed indemnity insurance in the large group market is exempt from the definition of a health benefit plan if the coverage qualifies under specified federal law (45 CFR § [146.145\(b\)\(4\)](#)).

Maryland Health Benefit Exchange

Under § 31-101 of the Insurance Article, “health benefit plan” does not include (1) *group* hospital indemnity or other fixed indemnity insurance if benefits are payable in a fixed dollar amount per period of time, regardless of the amount of expenses incurred or (2) individual hospital indemnity or fixed indemnity insurance if benefits are paid in a fixed dollar amount per period of hospitalization, illness, or service, regardless of the amount of expenses incurred and of the amount of benefits provided with respect to the event or service under any other health coverage and a specified notice is displayed in the application materials.

The bill repeals this language. Instead, hospital indemnity or fixed indemnity insurance sold through the exchange (removing the term *group*) is exempt from the definition of a health benefit plan if the coverage qualifies under specified federal law (45 CFR §§ [146.145\(b\)\(4\)](#) and [148.220\(b\)\(4\)](#)).

Background: Fixed indemnity insurance is a limited benefit product that pays a flat dollar amount when a covered person experiences certain losses resulting from sickness or injury. Benefit payments are not based on medical expenses incurred, and the consumer receives the full benefit even if it exceeds the cost of the medical services received.

On April 3, 2024, the U.S. Department of Health and Human Services issued a [final rule](#) on short-term, limited-duration insurance and independent, noncoordinated excepted benefits coverage that includes a new disclosure requirement for hospital indemnity or fixed indemnity insurance. The disclosure clarifies for consumers that fixed indemnity insurance is not comprehensive health insurance, is not required to include most federal consumer protections for health insurance, and pays only limited benefits that are not based on the size of the consumer's medical bills. A policy providing fixed indemnity benefits is not exempt from the federal requirements for comprehensive health insurance coverage unless the fixed indemnity product includes this required disclosure. Effective January 1, 2025, fixed indemnity products sold in Maryland violate federal law unless they comply with the new disclosure requirement.

Although health insurance carriers are already required to comply with federal law, codifying federal requirements in State law provides clarity as to what requirements are applicable to specific Maryland markets and gives MIA direct enforcement authority to ensure carriers are complying with the applicable requirements.

Additional Information

Recent Prior Introductions: None.

Designated Cross File: HB 116 (Chair, Health and Government Operations Committee)(By Request - Departmental - Maryland Insurance Administration) - Health and Government Operations.

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

Fiscal Note History: First Reader - January 13, 2025
rh/ljm

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Health Insurance - Federal Conformity - Definitions of Health Benefit Plan

BILL NUMBER: SB 211

PREPARED BY: Jamie Sexton

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

X 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

The Maryland Insurance Administration does not expect that the proposed bill would have any economic impact on small businesses.