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To: The Honorable, Joseline A. Peña-Melnyk, Chair  
Health and Government Operations Committee

From: Irnise F. Williams, Deputy Director, Health Education and Advocacy Unit

Re: House Bill 0116- Health Insurance - Federal Conformity - Definitions of Health  
Benefit Plan- **Letter of Concern**

The Office of the Attorney General's Health Education and Advocacy Unit writes with concern about House Bill 0116, a bill intended to conform Maryland law with updated federal regulations requiring more comprehensive notice to consumers about the limited nature of hospital indemnity or other fixed indemnity insurance plans. This bill incorporates the federal regulation by reference. That federal regulation was challenged and the notice provisions vacated by the US District Court, Eastern District of Texas in *Manhattan Life Insurance and Annuity Co., et al., v U.S. Department of Health and Human Services, et al.*

The HEAU supports a more comprehensive notice to consumers about the limited nature of hospital indemnity or other fixed indemnity insurance plans, as was intended in the now vacated federal regulations, and would support Maryland-specific legislation to buttress notice to help ensure consumers are able to make informed purchasing decisions and mitigate the risk that consumers could make by mistakenly enrolling in a hospital indemnity or fixed indemnity insurance plan.

Hospital indemnity or other fixed indemnity insurance excepted benefits coverage generally provide limited benefits at lower premiums than comprehensive coverage, and enrollment is typically available at any time (sometimes subject to medical underwriting) rather than being restricted to open and special enrollment periods. Like other forms of excepted benefits, fixed indemnity excepted benefits coverage does not provide comprehensive coverage. These plans are designed for income replacement or to be used as a supplement to major medical plans, to offset out-of-pocket expenses, but are being marketed as comprehensive coverage, leaving consumers without adequate insurance when they most need it. [See, Fixed Indemnity Health Coverage is a Problematic Form of Junk Insurance.](#)

The HEAU is concerned about the financial and health risks that consumers face if they use this form of coverage as a substitute for comprehensive coverage, particularly when they do so without understanding the nature of the product they are purchasing.

We look forward to working with the MIA to reconsider the approach taken in this bill given the legal status of the current regulations, and the policy consideration at issue.