

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 665
Finance

(Senator Edwards)

Health Insurance - Policy of Group Health Insurance - Associations

This bill specifies that, for purposes of group health insurance, an “association” may include a chamber of commerce. The bill repeals application of Maryland’s small group market reforms to any health benefit plan offered by an association, a professional employer organization, or any other entity, including a plan issued under the laws of another state. The definitions of “health benefit plan” are altered to exclude certain association plans from premium rate review and to exclude a multiple employer trust or association from the requirements of the small group market. **The bill takes effect January 1, 2020, and applies to all policies, contracts, and health benefit plans issued, delivered, or renewed in the State on or after that date.**

Fiscal Summary

State Effect: Special fund revenues increase for the Maryland Insurance Administration (MIA) in FY 2020 from the \$125 rate and form filing fee. MIA review of additional filings requires contractual support in FY 2020 only.

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

Small Business Effect: Potential meaningful.

Analysis

Bill Summary/Current Law: For purposes of defining which plans are subject to premium rate review by the Insurance Commissioner, § 11-601 of the Insurance Article defines “health benefit plan” as (1) a health insurance contract, a nonprofit health service plan contract, or a health maintenance organization contract that includes benefits for

medical care or (2) a certificate of health insurance issued or delivered to a Maryland resident under a contract issued to an association located in the State or any other state.

The bill removes a certificate of health insurance issued or delivered to any Maryland resident under a contract issued to an association located in the State or any other state from the definition of “health benefit plan” and subsequently exempts such plans from premium rate review by the Commissioner.

For purposes of defining which plans are subject to regulation under the small group market, § 15-1201 of the Insurance Article defines “health benefit plan” as a policy or certificate for hospital or medical benefits issued by an insurer, a nonprofit health service plan contract, or a health maintenance organization subscriber or group master contract. “Health benefit plan” includes a policy or certificate for hospital or medical benefits that covers residents of this State who are eligible employees and that is issued through a multiple employer trust or association located in this State or another state or a professional employer organization, coemployer, or other organization located in this State or another state that engages in employee leasing.

The bill excludes a multiple employer trust or association located in this State or another state from the definition of “health benefit plan” and subsequently from the requirements of the small group market.

Under current law, a policy of group health insurance may be issued to an association, including a labor union, that has a constitution and bylaws and that is organized and maintained in good faith for purposes other than that of obtaining insurance, to cover members, employees, or employees of members of the association for the benefit of persons other than the association or its officers or trustees. The bill specifies that an “association” may also include a chamber of commerce.

Chapters 37 and 38 of 2018 clarified that association health plans may offer coverage in Maryland but must comply with specified requirements. The Acts clarified that the Maryland Health Insurance Reform Act (Title 15, Subtitle 12 of the Insurance Article, Maryland’s small group market reforms) applies to any health benefit plan offered by an association, professional employer organization, or any other entity, including a plan issued in another state, if the health benefit plan covers eligible employees of one or more small employers and meets specified requirements. The bill repeals this provision.

Small Business Effect: Under the bill, chambers of commerce could provide additional offers of insurance for small businesses. However, such products would not be subject to MIA regulation or enforcement. Furthermore, such offers could potentially lead to adverse selection and increased rates in the small group market.

Additional Comments: MIA advises that the bill repeals the Commissioner's authority to regulate out-of-state association health plans that issue certificates to Maryland residents. Thus, Maryland residents may purchase plans that do not provide the same benefits mandated in Maryland for the small group market. Similarly, the rates for such plans will not be subject to review by the Commissioner. Thus, the Commissioner will not be able to ensure that the plans sold to Maryland residents provide rates that are not excessive, inadequate, or unfairly discriminatory.

Additional Information

Prior Introductions: None.

Cross File: HB 721 (Delegate Beitzel, *et al.*) - Health and Government Operations.

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

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Analysis by: Jennifer B. Chasse

Direct Inquiries to:
(410) 946-5510
(301) 970-5510