
By: **Senator Astle**

Introduced and read first time: January 27, 2006

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Health Insurance - Small Group Market - Premium Rates**

3 FOR the purpose of altering the factors a carrier may use to adjust the community
4 rate for certain health benefit plans offered in the small group market to include
5 health status; establishing certain limitations on the use of health status in
6 adjusting the community rate; prohibiting a carrier from increasing the
7 premium rate on renewal of a health benefit plan by more than a certain
8 percentage of the rate charged in the preceding year; repealing a certain limit on
9 the rate a carrier may charge based on adjustments to the community rate;
10 authorizing a carrier to use certain health statements and health screenings to
11 establish certain premium rates; prohibiting a carrier from limiting coverage or
12 refusing to issue a health benefit plan to a certain small employer based on a
13 health status-related factor; establishing that it is an unfair trade practice for a
14 carrier to knowingly provide coverage to a small employer that discriminates
15 against certain individuals under certain circumstances; providing for the
16 application of this Act; and generally relating to health benefit plans offered in
17 the small group market.

18 BY repealing and reenacting, with amendments,
19 Article - Insurance
20 Section 15-1205
21 Annotated Code of Maryland
22 (2002 Replacement Volume and 2005 Supplement)

23 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
24 MARYLAND, That the Laws of Maryland read as follows:

25 **Article - Insurance**

26 15-1205.

27 (a) (1) In establishing a community rate for a health benefit plan, a carrier
28 shall use a rating methodology that is based on the experience of all risks covered by
29 that health benefit plan without regard to [health status or occupation or] any
30 [other] factor not specifically authorized under this subsection.

1 (2) [A] SUBJECT TO PARAGRAPHS (4), (5), AND (6) OF THIS SUBSECTION,
2 A carrier may adjust the community rate only for:

3 (i) age; [and]

4 (ii) geography based on the following contiguous areas of the State:

5 1. the Baltimore metropolitan area;

6 2. the District of Columbia metropolitan area;

7 3. Western Maryland; and

8 4. Eastern and Southern Maryland; AND

9 (III) HEALTH STATUS.

10 (3) Rates for a health benefit plan may vary based on family composition
11 as approved by the Commissioner.

12 (4) BASED ON THE ADJUSTMENT FOR HEALTH STATUS ALLOWED
13 UNDER PARAGRAPH (2)(III) OF THIS SUBSECTION, A CARRIER MAY CHARGE A RATE
14 THAT IS 10% ABOVE OR 25% BELOW THE COMMUNITY RATE.

15 (5) A CARRIER MAY ADJUST THE COMMUNITY RATE FOR HEALTH
16 STATUS ONLY FOR HEALTH BENEFIT PLANS ISSUED TO SMALL EMPLOYERS WITH 15
17 OR FEWER ELIGIBLE EMPLOYEES AT THE TIME OF INITIAL ISSUANCE OF A HEALTH
18 BENEFIT PLAN.

19 (6) (I) ON RENEWAL, A CARRIER MAY NOT INCREASE THE PREMIUM
20 RATE FOR A HEALTH BENEFIT PLAN BY MORE THAN 25% OF THE RATE THAT WAS
21 CHARGED IN THE PRECEDING YEAR.

22 (II) THE LIMITATION UNDER SUBPARAGRAPH (I) OF THIS
23 PARAGRAPH DOES NOT APPLY TO A PREMIUM RATE INCREASE THAT IS BASED ON:

24 1. A CARRIER'S ANNUAL COST AND UTILIZATION TRENDS; OR

25 2. A CHANGE IN THE RATING FACTOR FOR ATTAINED AGE
26 FOR COVERED PERSONS.

27 (b) A carrier shall apply all risk adjustment factors under subsection (a) of this
28 section consistently with respect to all health benefit plans that are issued, delivered,
29 or renewed in the State.

30 [(c) Based on the adjustments allowed under subsection (a)(2) of this section, a
31 carrier may charge a rate that is 40% above or below the community rate.]

32 [(d)] (C) (1) A carrier shall base its rating methods and practices on
33 commonly accepted actuarial assumptions and sound actuarial principles.

1 (2) A carrier that is a health maintenance organization and that includes
2 a subrogation provision in its contract as authorized under § 19-713.1(d) of the
3 Health - General Article shall:

4 (i) use in its rating methodology an adjustment that reflects the
5 subrogation; and

6 (ii) identify in its rate filing with the Administration, and annually
7 in a form approved by the Commissioner, all amounts recovered through subrogation.

8 (3) A CARRIER MAY USE HEALTH STATEMENTS, IN A FORM APPROVED
9 BY THE COMMISSIONER, AND HEALTH SCREENINGS TO ESTABLISH PREMIUM RATES
10 AS PROVIDED IN THIS SECTION.

11 (D) A CARRIER MAY NOT LIMIT COVERAGE OFFERED BY THE CARRIER, OR
12 REFUSE TO ISSUE A HEALTH BENEFIT PLAN TO ANY SMALL EMPLOYER THAT MEETS
13 THE REQUIREMENTS OF THIS SUBTITLE, BASED ON A HEALTH STATUS-RELATED
14 FACTOR.

15 (E) IT IS AN UNFAIR TRADE PRACTICE FOR A CARRIER TO KNOWINGLY
16 PROVIDE COVERAGE TO A SMALL EMPLOYER THAT DISCRIMINATES AGAINST AN
17 EMPLOYEE OR APPLICANT FOR EMPLOYMENT, BASED ON THE HEALTH STATUS OF
18 THE EMPLOYEE OR APPLICANT OR A DEPENDENT OF THE EMPLOYEE OR APPLICANT,
19 WITH RESPECT TO PARTICIPATION IN A HEALTH BENEFIT PLAN SPONSORED BY THE
20 SMALL EMPLOYER.

21 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all
22 health benefit plans subject to this Act that are issued, delivered, or renewed in the
23 State on or after October 1, 2006.

24 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
25 October 1, 2006.