

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

House Bill 477 (Delegate Costa)
Health and Government Operations

**Health Insurance - Small Group Market - Limited Health Benefit Plan -
Modifications**

This bill expands eligibility for the Limited Benefit Plan (LBP) to all small employers and repeals the June 30, 2008 termination date for the plan. The bill also repeals the requirement that the Maryland Insurance Administration (MIA) develop a uniform eligibility form for the plan. The bill delays by one year the date by which the Maryland Health Care Commission (MHCC) must submit a report on the plan and removes the requirement that the report include information on the average age, geographic area, and average wage of each employer covered under the plan.

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: Potential minimal increase in special fund revenues for MIA from the \$125 rate review and filing fee in FY 2008.

Local Effect: None.

Small Business Effect: Potential meaningful. By expanding eligibility for the LBP and making the product permanent, health insurance expenditures for small businesses could decrease.

Analysis

Current Law: Chapter 287 of 2004 established the LBP as an alternative to the Comprehensive Standard Health Benefit Plan (CSHBP) for certain small businesses. It offers a minimal benefit package to small businesses that have not offered CSHBP to employees within the past 12 months and whose employees earn 75% or less of the State's average annual wage.

Background: The benefits included in the LBP were chosen so that their actuarial value as of January 1, 2004, did not exceed 70% of the actuarial value of the CSHBP as it existed on that date. Although services covered by the plan are comprehensive – including inpatient and outpatient services, preventive care, emergency services, home health and hospice, and prescription drugs – enrollee cost sharing is high, and dollar limits on covered services are stringent. The LBP became available on July 1, 2005, and MHCC reports minimal sales of the plan.

In a letter of advice dated March 10, 2006, the Attorney General's office advised that the LBP, under current law, violates federal HIPAA law that requires all health insurance products in the small group market to be available to any small employer in the State.

The October 2006 Department of Legislative Services report on the full sunset evaluation of MHCC recommended that, in light of advice of counsel and the disappointing sales of the LBP, the plan be allowed to terminate on June 30, 2008, as provided by law. The report recommended that MHCC report to the General Assembly by January 1, 2008 on other options for individuals enrolled in the plan.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

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bfl/jr

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