

Department of Legislative Services  
Maryland General Assembly  
2010 Session

FISCAL AND POLICY NOTE

House Bill 951 (Delegate Carter, *et al.*)  
Health and Government Operations

---

**Health Insurance Carriers - Declinations of Applications for Coverage - Required Reporting**

---

This bill requires insurers, nonprofit health service plans, and health maintenance organizations (carriers) that offer individual health benefit plans in the State to include in the quarterly reports they submit to the Insurance Commissioner the reason for the declination of each insurance application that was declined. The bill also requires the Insurance Commissioner to post on the Maryland Insurance Administration (MIA) web site information provided by carriers in their quarterly reports and to compile an annual summary report of the information, make the summary report available to the public, and adopt regulations for the form and content of the information provided by carriers.

---

**Fiscal Summary**

**State Effect:** The bill's requirements can be handled with existing resources.

**Local Effect:** None.

**Small Business Effect:** None.

---

**Analysis**

**Current Law:** For each calendar quarter, a carrier that offers individual health benefit plans in the State must submit to the Commissioner a report that includes the number of applications submitted to the carrier for individual coverage and the number of declinations issued by the carrier for individual coverage. The report must be filed with the Commissioner no later than 30 days after the last day of the quarter for which the information is provided.

In the individual insurance market, carriers are permitted to ask applicants about their health. This information is used for medical underwriting. Based on the health information provided by an applicant, the carrier may approve the applicant at a standard premium, accept the applicant at a higher premium, accept with a rider excluding all coverage for certain medical conditions, or reject the applicant altogether. Carriers are not required to give the applicant the reason for the rejection. Individuals who are rejected or who are accepted with a rider excluding all coverage for certain medical conditions qualify for coverage through the State's high risk pool, the Maryland Health Insurance Plan.

**Background:** In 2009, MIA reported that, for the period 2004 to 2007, the 10 carriers actively selling health benefits to individuals received 360,969 applications. Of these, 12.2% were rejected and 4.7% were declined coverage unless the applicant agreed to a substandard premium rate or the addition of an exclusionary rider for a particular condition or conditions discovered during the underwriting process. MIA further reported that the percentage of applications denied in Maryland was slightly higher than the industry reported for the nation as a whole (11.3%).

---

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** CareFirst Blue Cross/Blue Shield, Department of Budget and Management, Maryland Health Insurance Plan, Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

**Fiscal Note History:** First Reader - March 3, 2010  
mam/mwc

---

Analysis by: Sarah K. Volker

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