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**BULLETIN**

**To: Health Insurers Health Maintenance Organizations, Nonprofit Health Service Plans ("Carriers")**

**Re: Limited Benefit Plan  
Small Employer Qualification and Certification Form**

**Date: July 12, 2005**

**Bulletin: Life and Health 05-11**

The purpose of this Bulletin is to alert carriers that pursuant to SB 570 and regulations adopted pursuant to Chapter 287, Acts of 2004, a carrier offering a Limited Health Benefit Plan ("Limited Benefit Plan") coverage in the small employer market must use a uniform form to collect the information necessary at the time of application to determine that the small employer qualifies for coverage under the Limited Health Benefit Plan. The small employer certification requirement is effective July 1, 2005.

In general, this Bulletin notifies carriers of the *Small Employer Qualification and Certification Form* for a small employer to complete at the time of application for a Limited Health Benefit Plan. Carriers should ensure that their appointed producers are notified of the new form and certification requirement.

**Offering the Limited Health Benefit Plan**

According to §15-1209 of the Insurance Article, a carrier that offers insurance in the small group market shall offer the Comprehensive Standard Health Benefit Plan ("Standard Plan") to each small employer that meets the requirements of this Section.

In addition, prominent carriers, which are defined as carriers insuring at least 10% of the total lives insured in the small group market, shall offer, and any other carrier that offers insurance in the small group market may offer, the Limited Health Benefit Plan to a small employer:

1. That has not provided the Standard Plan during the 12-month period preceding the date of application or, if the small employer has existed for less than 12 months, from the date the small employer has commenced its business; and
2. For which the average annual wage of the small employer's group does not exceed 75% of the average annual wage in the state.

For the purpose of determining whether a small employer qualifies to provide the Limited Health Benefit Plan to its eligible employees and dependents pursuant to §15-1209 (c)(2)(ii) 1 and 2 of the Insurance Article, the Standard Plan is considered whether provided with or without optional riders.

### **Small Employer Certification and Attestation**

Accordingly, before offering a small employer the Limited Health Benefit Plan, a carrier must obtain the employer's signature and attestation on the *Small Employer Qualification and Certification Form* that as a small employer, it meets the requirements of §15-1209 (c)(2)(ii) 1 and 2 of the Insurance Article and qualifies for and may elect coverage under the Limited Benefit Plan.

By completing the form, a small employer certifies that it meets the qualifying criteria to choose and provide the Limited Health Benefit Plan to its eligible employees and their eligible dependents. The carrier or its appointed producer offering the plan must also sign the form to accept the small employer's certification and attestation.

The signed qualification and certification form is to be maintained by the carrier for not less than five (5) years.

A copy of the form is attached to this Bulletin. Also attached is a summary of Frequently Asked Questions ("FAQs") that may be helpful in understanding and completing the form properly. A copy of the form and the FAQs may also be found on the Maryland Insurance Administration's web site: [www.mdinsurance.state.md.us](http://www.mdinsurance.state.md.us)

Questions concerning this Bulletin may be directed to Ms. Leighton Tabron, Chief Life & Health Market Conduct Examiner, Compliance and Enforcement Unit, Maryland Insurance Administration, 525 St. Paul Place, Baltimore, Maryland 21202. Her work phone is 410-468-2233. She may also be contacted by e-mail at [ltabron@mdinsurance.state.md.us](mailto:ltabron@mdinsurance.state.md.us).

*Signature on file with original*

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P. Todd Cioni, Associate Commissioner  
Compliance and Enforcement Unit  
Maryland Insurance Administration

**MARYLAND HEALTH INSURANCE REFORM ACT**  
**LIMITED HEALTH BENEFIT PLAN**  
**SMALL EMPLOYER QUALIFICATION AND CERTIFICATION**

**Qualification for Limited Health Benefit Plan**

Under Maryland law, a carrier offering insurance in the small group market may offer a small employer the **Limited Health Benefit Plan** if the small employer:

- Has not provided the Comprehensive Standard Health Benefit Plan with or without riders during the 12-month period preceding the date of application or, if the small employer has existed for less than 12 months, from the date the small employer has commenced business; and
- The average annual wage of employees of the small employer does not exceed 75% of the average annual wage in the State.

**Employer Certification and Attestation**

To help determine if you are a small employer that qualifies for the Limited Health Benefit Plan under Maryland law, please read the following questions very carefully and answer each one "Yes", or "No".

1. If your company has been in business as a small employer for more than 12 months, did you provide your employees the Comprehensive Standard Health Benefit plan, with or without riders, during the 12-month period preceding the date of application for the Limited Health Benefit Plan?  Yes     No
  
2. If your company has been in business as a small employer for less than 12 months, did you provide your employees the Comprehensive Standard Health Benefit plan, with or without riders, at any time during the time your company has been in business?  Yes     No
  
3. Does the average annual wage of your employees exceed 75% of the most recently published average annual wage in the State?  Yes     No

As the authorized representative of the small employer identified below, I, the undersigned hereby certify that the information provided above is true and complete to the best of my knowledge and belief.

\_\_\_\_\_  
Carrier Name

\_\_\_\_\_  
Employer Name

\_\_\_\_\_  
Producer Name

\_\_\_\_\_  
Employer Representative Name

\_\_\_\_\_  
Producer Signature

\_\_\_\_\_  
Employer Representative Signature

\_\_\_\_\_  
Date

**MARYLAND HEALTH INSURANCE REFORM ACT  
LIMITED HEALTH BENEFIT PLAN  
SMALL EMPLOYER QUALIFICATION AND CERTIFICATION**

**Frequently Asked Questions (FAQs)**

**1. What is the Limited Health Benefit Plan?**

Established under Maryland law, the Limited Health Benefit Plan (also known as the “Limited Benefit Plan”) is a health benefit plan that may be offered to qualifying small employers in the State by carriers that offer insurance in the small group market. Limited Health Benefit Plans may include different cost sharing and fewer benefits than the Standard Plan. Certain benefits are limited to discounts only while other benefits are subject to reduced yearly amounts payable. More comprehensive benefits are available to a small employer under the Comprehensive Standard Health Benefit Plan (also known as the Standard Plan).

**2. What are the specific requirements for a small employer to qualify for the Limited Health Benefit Plan??**

Under Maryland law, a carrier offering insurance in the small group market may offer an employer meeting the definition of a small employer the **Limited Health Benefit Plan** if the small employer:

- Has not provided the Comprehensive Standard Health Benefit Plan, with or without, riders during the 12-month period preceding the date of application or, if the small employer has existed for less than 12 months, during the time period the small employer has been in business; and
- The Average Annual Wage (also known as the AAW) of employees of the small employer does not exceed 75% of the average annual wage in the State.

A small employer that qualifies for and chooses the Limited Health Benefit Plan may renew the plan even if its AAW exceeds 75% of the AAW in the State at the time of renewal.

**3. How does a small employer know if its average annual wage does not exceed 75% of the average annual wage in the State?**

The Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information calculates Maryland's AAW based on Quarterly Tax and Wage reports submitted by employers in the State. The final calculation and publication of the AAW in the State for the previous calendar year is generally available by mid-year of the following calendar year. For example, the final AAW of \$40,664 (derived by multiplying the State's average weekly wage of \$782 by 52 weeks) for calendar year 2003 was published mid-year 2004.

AAW information for the State may be found on the Department of Labor, Licensing and Regulation web site. The address is:

<https://www.dlhr.state.md.us/lmi/emppay/tab1md.htm>

Select the Annual Average Wage Report for the most recent calendar year.

To determine whether a small employer's AAW exceeds 75% of the State's AAW, the employer must compare its AAW for the most recent 12-month period and compare it to *the last published ANNUAL AVERAGE WAGE of the State*. For example, an employer applying for the Limited Health Benefit Plan on October 1, 2005 would compute its AAW for the period October 1, 2004 through September 30, 2005 and compare it to the State's most recently published Annual Average.

**4. Which employees are included in the AAW calculation?**

All employees of the small employer who received a wage during the year are considered in the employer's AAW calculation. Employees to be included in the AAW calculation are full-time regular employees,

part-time employees, seasonal employees, leased employees, the employer and any other employees reportable on the company's Unemployment Insurance ("UI") Quarterly Tax and Wage Reports. Independent contractors are not included.

In general, a small employer may use the UI Quarterly Tax and Wage Reports as the basis for determining its AAW. If an individual earns income reportable on the Quarterly Tax and Wage Reports, he or she should be included in the AAW calculation.

For example, an employer applying for the Limited Health Benefit Plan on October 1, 2005 would compute its AAW for the period October 1, 2004 through September 30, 2005 using the Quarterly Tax and Wage Reports for the 4<sup>th</sup> quarter of 2004 and the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> quarters of 2005.

**5. Are there any other requirements of a small employer regarding the Limited Health Benefit Plan?**

An authorized representative of a small employer must complete and sign a **Small Employer Qualification and Certification Form** attesting that the small employer meets the qualifying criteria described in Question #2 above. The carrier's representative or producer must also sign the form.

Additionally, an authorized representative of the small employer must sign a **Limited Benefit Plan Disclosure Statement** (form) at the time of initial purchase and at renewal attesting that the small employer recognizes that more comprehensive coverage is available under the Comprehensive Standard Health Benefit Plan. The carrier's representative or insurance producer must also sign the form.