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HEALTH INSURANCE: CHANGES IN RATING AND UNDERWRITING RULES

This chart is designed to help you understand how the rating and underwriting rules for health insurance benefits may change as a result of the Affordable Care Act (“ACA”). Rating rules determine what you will pay for your health insurance benefits. The underwriting rules determine whether you qualify to purchase health insurance benefits from a health insurer. There are different types of health insurance benefits. Under a health insurance contract (“health insurance”), your health insurer (including your HMO) agrees to pay for some or all of your health care costs in exchange for a premium. Under a self-funded plan (“plan”), your employer, union or other group sponsor agrees to pay for your health care services. Only health insurance contracts issued or delivered in Maryland are subject to Maryland law. *This chart only shows what will change if you have health insurance subject to Maryland law.*

Health Insurance: Rating and Underwriting Rules			
	Maryland	ACA	What will change
<i>Individual market</i>			
Guaranteed issuance	Health insurers may deny coverage to any individual or family applying for such coverage because of a medical condition	Health insurers may not deny coverage to an individual or family	In 2014, no individual or family applying for health insurance coverage may be denied because of a medical condition.
Pre-existing conditions	Health insurers may impose a 12 month pre-existing condition limitation for a condition for which medical advice, diagnosis or treatment was provided during 12 months before the effective date	Prohibits health insurers from imposing a pre-existing condition limitation	As of 9/23/2010, new health insurance policies may not include a pre-existing condition limitation for a child. In 2014, no new health insurance policy may include a pre-existing condition limitation for an adult.
Guaranteed renewable	Health insurance policies are guaranteed renewable	No requirement in ACA, but prior federal law (HIPAA) required individual contracts to be guaranteed renewable	No change
Loss ratio	Each health benefit plan must have at least a 60% incurred loss ratio	In aggregate across the individual market, the health insurer must have an 80% medical loss ratio; if the health insurer does not meet or exceed the medical loss ratio, the health insurer must pay a rebate	Beginning 2011, health insurers will be required to spend a specified portion of the premium dollar on medical care and quality of care improvement expenses; if the health insurer does not meet or exceed this requirement, the health insurer must pay a rebate
Rating rules	Maryland law does not specify the variables a health insurer may use to calculate an individual’s premium	Premiums must be calculated using adjusted community rating; the premium may only vary from one individual to the next based on age (3:1), tobacco use (1.5:1), geography and family size	How the premium is calculated for all policies issued or renewed on or after 3/23/2010 will change beginning in 2014

Health Insurance: Rating and Underwriting Rules			
	Maryland	ACA	What will change
Rate review	Health insurer must file and receive approval from the Insurance Commissioner before charging a premium; the premium may not be excessive, inadequate or unfairly discriminatory	Health insurers must notify the Department of Health and Human Services of an “unreasonable” rate increase	Additional oversight of “unreasonable” rate increases
<i>Small group market</i>			
Guaranteed issuance	Health insurers may not deny coverage to any small employer, individual or family based on medical conditions or claim history	No requirement in ACA, but prior federal law (HIPAA) required small employer contracts to be subject to guaranteed issuance	No change
Pre-existing conditions	Health insurers may impose a 12 month pre-existing condition limitation for a condition for which medical advice, diagnosis or treatment was provided during 6 months before the effective date of the individual’s coverage	Prohibits health insurers from imposing a pre-existing condition limitation	In 2014, pre-existing conditions will be covered immediately.
Guaranteed renewable	Health insurance policies are guaranteed renewable	No requirement in ACA, but prior federal law (HIPAA) required small employer contracts to be guaranteed renewable	No change
Loss ratio	Each health benefit plan must have at least a 75% loss ratio	In aggregate across the small group market, the health insurer must have an 80% medical loss ratio; if the health insurer does not meet or exceed the medical loss ratio, the health insurer must pay a rebate	Beginning 2011, health insurers will be required to spend a specified portion of the premium dollar on medical care and quality of care improvement expenses; if the health insurer does not meet or exceed this requirement, the health insurer must pay a rebate
Rating rules	Premiums must be calculated using adjusted community rating; the premium may only vary from one individual to the next based on age, geography, family size, and health status for previously uninsured employer groups; band for age and geography is limited to 3:1 and for health status 1.2:1	Premiums must be calculated using adjusted community rating; the premium may only vary from one individual to the next based on age (3:1), tobacco use (1.5:1), geography and family size	No material change expected
Rate review	Health insurer must file and receive approval from the Insurance Commissioner before charging a premium; the premium may not be excessive, inadequate or unfairly discriminatory	Health insurers must notify the Department of Health and Human Services of an “unreasonable” rate increase	Additional oversight of “unreasonable” rate increases