

## BULLETIN

**To: Small Group Carriers**

**Re: Revised Definition of Small Employer**

**Date: May 2, 2000**

**Bulletin: Life and Health 00-12**

We would like to bring to your attention two bills that passed the legislature and are awaiting the Governor's signature. Senate Bill 801 and House Bill 649 of the Acts of 2000 are scheduled to become effective June 1, 2000. These bills are identical and will require each carrier to amend its contracts and method of determining who qualifies as a small employer in Maryland. In particular, the following changes are effected by these bills, and in all likelihood, will require changes to each carrier's small group contracts used in Maryland.

1. *Revision of portion of small employer definition dealing with the self-employed--*§15-1203(c)(1) of the Insurance Article is amended to require the self-employed person to "work and reside" in Maryland. Previously the law required the self-employed person to live, work or reside in Maryland.

The change described above is a restriction on the definition of self-employed and will reduce the number of persons who qualify as self-employed. Please note that the legislature added transitional language in Section 3 of each bill to protect persons who once met the definition of self-employed and now cease to meet it due to the change in the definition. These persons will be allowed to renew their coverage for as long as they continue to meet the definition in effect on the date they originally applied for coverage.

2. *Revision of small employer definition dealing with how to count eligible employees--* §15-1203(b)(1)(i) of the Insurance Article is amended to require carriers to determine if the small employer met the definition of small employer based on the preceding calendar quarter, instead of the preceding calendar year. Also, §15-1203(b)(3)(ii)(1) of the Insurance Article is deleted. The deleted text affects how a carrier will count the number of eligible employees. A carrier may no longer exclude those employees who are covered under a public or private health insurance plan or other health benefit arrangement in the count of eligible employees.

Once again, the transitional language found in Section 3 of each bill permits employers who previously met the definition of small employer and who cease being small employers based solely on the new definition to continue to renew previously purchased coverage.

3. *Deletion of portion of small employer definition that permitted one-life groups--§15-1203(f)* of the Insurance Article, the portion of the law that included as a small employer those employers who want coverage only for one employee because all of the other employees are covered under other coverage, is deleted.

As discussed above, the transitional language found in Section 3 of each bill permits employers who previously met the definition of small employer and who cease being small employers based solely on the new definition to continue to renew previously purchased coverage.

If you have any questions on this matter please call (410) 468-2170 and mention this bulletin by bulletin number.

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Donna B. Imhoff  
Associate Commissioner