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BULLETIN 06-16

Date: September 22, 2006

To: Insurers, Nonprofit Health Service Plans and Health Maintenance Organizations Providing Coverage in the Individual Health Market

Re: Required Notice of the Maryland Health Insurance Plan Upon Denial of Coverage

The purpose of this bulletin is to clarify when the notice of the availability of the Maryland Health Insurance Plan (MHIP), as specified in Insurance Article, §15-1303, Annotated Code of Maryland and COMAR 31.10.27 is required to be given to individuals by carriers participating in the individual market.

It has come to the attention of the Maryland Insurance Administration that some carriers that sell health benefit plans to individuals in Maryland are not providing the MHIP notice as required by Insurance Article, §15-1303, Annotated Code of Maryland and COMAR 31.10.27. These carriers are providing notice of the availability of MHIP only when there is a refusal to issue health benefit plans to the applicant. These carriers are *not* providing the required notice to applicants when an applicant is denied coverage for a particular health benefit plan at the approved standard price, but instead is provided a counter-offer by the carrier. The counter-offers provided by the carriers fall in the categories of coverage issued at a substandard rate or the agreement to issue the policy only if specific conditions are excluded from coverage by use of a waiver rider attached to the policy.

MHIP was established by the legislature as a high-risk pool for those individuals who are considered medically uninsurable individuals. Insurance Article, §14-501(h), Annotated Code of Maryland defines a medically uninsurable individual and specifically includes an individual who is able to provide evidence that for health reasons:

- (1) A carrier has refused to issue substantially similar coverage to the individual;
- or
- (2) A carrier has refused to issue substantially similar coverage to the individual, except at a rate that exceeds the Maryland Health Insurance Plan rate.

The reference to "substantially similar coverage," as used in §14-501(h), would not include exclusionary riders for specific conditions, since MHIP does not permit the use of exclusionary

riders with its health benefit plans. Since the legislature intended that individuals who are offered coverage at a substandard rate or who are unable to secure coverage without a waiver rider attached to the policy to be included in MHIP, it is only reasonable to expect that carriers should provide the required notice of the availability of MHIP to these applicants.

It is the Maryland Insurance Administration's position that it is a violation of §15-1303 to fail to provide notice of the availability of MHIP to an applicant who is being denied the coverage applied for and is instead offered coverage (1) at a substandard rate; or (2) with the addition of waiver rider for a particular condition or conditions.

Therefore, all carriers participating in the individual market in Maryland are required by §15-1303 of the Insurance Article to provide the notice required by COMAR 31.10.27 in all the following circumstances:

1. When the carrier denies an applicant coverage in the individual market without providing any counter-offer of other health coverage;
2. When the carrier denies an applicant for a particular policy at the approved standard price in the individual market, but offers a counter-offer of a health benefit plan at a higher premium than the policy for which the applicant applied;
3. When the carrier denies an applicant for a particular policy, but offers a counter-offer of a health benefit plan with the addition of an exclusionary rider for a particular condition or conditions.

Any questions about this bulletin should be directed to Brenda Wilson, Chief of Health Insurance and Managed Care, at (410) 468-2170.

R. Steven Orr
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By: _____
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