

SENATE BILL 90

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(PRE-FILED)

By: **Chairman, Finance Committee (Departmental - Insurance
Administration, Maryland)**

Requested: October 26, 2001

Introduced and read first time: January 9, 2002

Assigned to: Finance

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 19, 2002

CHAPTER 117

1 AN ACT concerning

2 **Health Insurance - Health Maintenance Organizations and Managed Care**
3 **Organizations - Application of Acquisitions Disclosure and Control Act**

4 FOR the purpose of providing that the Maryland Insurance Acquisitions Disclosure
5 and Control Act applies to health maintenance organizations and managed care
6 organizations under certain circumstances; requiring the Maryland Insurance
7 Commissioner to consult with the Secretary of Health and Mental Hygiene
8 under certain circumstances; requiring the Commissioner to adopt regulations
9 establishing a reporting materiality threshold; authorizing the Commissioner to
10 adopt certain regulations to implement certain provisions of this Act; repealing
11 certain provisions of law that require a person to comply with certain procedures
12 before acquiring control of a domestic or foreign health maintenance
13 organization; providing that managed care organizations are not subject to
14 certain provisions of this Act until a certain date; and generally relating to the
15 application of the Maryland Insurance Acquisitions Disclosure and Control Act
16 to health maintenance organizations and managed care organizations.

17 BY adding to
18 Article - Health - General
19 Section 15-102.6 and 19-711(b)
20 Annotated Code of Maryland
21 (2000 Replacement Volume and 2001 Supplement)

22 BY repealing
23 Article - Health - General

1 Section 19-711(b) and 19-711.2
2 Annotated Code of Maryland
3 (2000 Replacement Volume and 2001 Supplement)

4 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
5 MARYLAND, That the Laws of Maryland read as follows:

6 **Article - Health - General**

7 15-102.6.

8 (A) SUBJECT TO SUBSECTION (B) OF THIS SECTION, THE PROVISIONS OF TITLE
9 7 OF THE INSURANCE ARTICLE APPLY TO MANAGED CARE ORGANIZATIONS.

10 (B) BEFORE APPROVING A TRANSACTION UNDER § 7-306 OF THE INSURANCE
11 ARTICLE, THE INSURANCE COMMISSIONER SHALL CONSULT WITH THE SECRETARY.

12 (C) THE INSURANCE COMMISSIONER:

13 (1) SHALL ADOPT REGULATIONS ESTABLISHING A REPORTING
14 MATERIALITY THRESHOLD; AND

15 (2) MAY ADOPT REGULATIONS NECESSARY TO IMPLEMENT THE
16 PROVISIONS OF THIS SECTION.

17 ~~(D)~~ (D) THE PROVISIONS OF THIS SECTION MAY NOT APPLY TO ANY
18 TRANSACTION PREEMPTED BY FEDERAL LAW.

19 19-711.

20 [(b) (1) A person shall comply with the procedures required by Title 7,
21 Subtitles 3 and 4 of the Insurance Article to the extent applicable before:

22 (i) That person may make a tender for or a request or invitation for
23 tenders of or enter into an agreement to exchange securities for or acquire in the open
24 market or otherwise, any voting security of a domestic health maintenance
25 organization or enter into any other such agreement if, after the consummation
26 thereof, that person would, directly or indirectly, or by conversion or by exercise of any
27 right to acquire be in control of the domestic health maintenance organization; or

28 (ii) That person may enter into an agreement to merge or
29 consolidate with, or otherwise to acquire control of a domestic health maintenance
30 organization.

31 (2) (i) Approval by the Insurance Commissioner shall be governed by §
32 7-306 of the Insurance Article.

33 (ii) Prior to approval, the Insurance Commissioner shall consult
34 with the Secretary of Health and Mental Hygiene.]

1 (B) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, THE PROVISIONS
2 OF TITLE 7 OF THE INSURANCE ARTICLE APPLY TO HEALTH MAINTENANCE
3 ORGANIZATIONS.

4 (2) BEFORE APPROVING A TRANSACTION UNDER § 7-306 OF THE
5 INSURANCE ARTICLE, THE INSURANCE COMMISSIONER SHALL CONSULT WITH THE
6 SECRETARY.

7 [19-711.2.

8 (a) A person shall comply with the procedures required by Title 7, Subtitles 3
9 and 4 of the Insurance Article to the extent applicable before:

10 (1) That person may make a tender for or a request or invitation for
11 tenders of or enter into an agreement to exchange securities for or acquire in the open
12 market or otherwise, any voting security of a foreign health maintenance
13 organization that is authorized to do business in this State or enter into any other
14 such agreement if, after the consummation thereof, that person would, directly or
15 indirectly, or by conversion or by exercise of any right to acquire be in control of the
16 foreign health maintenance organization that is authorized to do business in this
17 State; or

18 (2) That person may enter into an agreement to merge or consolidate
19 with, or otherwise to acquire control of, a foreign health maintenance organization
20 that is authorized to do business in this State.

21 (b) (1) Approval by the Insurance Commissioner shall be governed by §
22 7-306 of the Insurance Article.

23 (2) Prior to approval, the Insurance Commissioner shall consult with the
24 Secretary of Health and Mental Hygiene.

25 (c) The provisions of this section may not apply:

26 (1) To any transaction preempted by federal law; or

27 (2) If the insurance commissioner in the jurisdiction in which the health
28 maintenance organization is domiciled has authority under the law of that
29 jurisdiction to investigate and approve a case in which a person would directly or
30 indirectly, or by conversion or by exercise of any right to acquire be in control of the
31 health maintenance organization or merge or consolidate with, or otherwise acquire
32 control of the health maintenance organization and the Insurance Commissioner of
33 this State receives notice from the insurance commissioner of the other jurisdiction of
34 any such activities and has the right to request information and documents
35 concerning those activities.]

36 SECTION 2. AND BE IT FURTHER ENACTED, That a managed care
37 organization is not subject to the provisions of § 15-102.6 of the Health - General
38 Article, as enacted by Section 1 of this Act, until the effective date of the regulations

1 that the Maryland Insurance Commissioner is required to adopt under §
2 15-102.6(c)(1) of the Health - General Article, as enacted by Section 1 of this Act.

3 SECTION ~~2~~ 3. AND BE IT FURTHER ENACTED, That this Act shall take
4 effect October 1, 2002.