

SENATE BILL 772
EMERGENCY BILL

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C3

2003 Regular Session
(31r2362)

ENROLLED BILL
-- Finance/Health and Government Operations --

Introduced by **Senators Middleton, Astle, Brinkley, Britt, Brochin, Colburn, Conway, Currie, DeGrange, Della, Dyson, Exum, Forehand, Frosh, Garagiola, Giannetti, Gladden, Green, Greenip, Grosfeld, Hafer, Haines, Harris, Hogan, Hollinger, Hooper, Hughes, Jacobs, Jimeno, Jones, Kasemeyer, Kelley, Kittleman, Klausmeier, Kramer, Lawlah, McFadden, Miller, Mooney, Munson, Pinsky, Pipkin, Ruben, Schrader, Stoltzfus, Stone, and Teitelbaum**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____M.

President.

CHAPTER 356

1 AN ACT concerning

2 **Health Insurance - Nonprofit Health Service Plans - Reform**

3 FOR the purpose of ~~altering certain provisions relating to the regulation of nonprofit~~
4 ~~health service plans; specifying the purpose of a certain provision of law;~~
5 ~~specifying that certain nonprofit health service plans are exempt from certain~~
6 ~~taxes; establishing the mission of nonprofit health service plans, including any~~
7 ~~insurer or health maintenance organization wholly owned or controlled by a~~
8 ~~nonprofit health service plan; requiring a nonprofit health service plan to~~
9 ~~develop certain goals, objectives, and strategies; exempting certain nonprofit~~
10 ~~health service plans from certain public service requirements; specifying the~~
11 ~~manner in which certain nonprofit health service plans can satisfy certain~~

1 requirements; requiring certain nonprofit health service plans to perform
2 certain functions; providing that a nonprofit health service plan may satisfy a
3 certain requirement in a certain manner; repealing a requirement that the
4 Insurance Commissioner follow certain procedures after making a certain
5 determination; requiring the Insurance Commissioner to issue an order to
6 require that a nonprofit health service plan pay a certain premium tax for a
7 certain period of time under certain circumstances; specifying the use of certain
8 premium tax revenue collected by the Maryland Insurance Administration;
9 specifying information that certain applicants for a certificate of authority must
10 submit; specifying certain criteria that the Insurance Commissioner shall
11 consider when issuing a certain certificate of authority; specifying certain
12 activities in which a certain corporation may engage; specifying that certain
13 members of a certain board of directors are fiduciaries on behalf of certain
14 corporations and their controlled affiliates or subsidiaries; specifying the
15 manner in which certain board members shall act; specifying the principal
16 functions of a certain board; specifying the number and composition of members
17 on a certain board; specifying the manner in which certain board members shall
18 be chosen; requiring a certain board to establish certain committees; specifying
19 the functions of certain committees; specifying the composition of certain
20 committees; specifying that each board member of a certain corporation must
21 serve on at least one standing committee of a certain board; specifying certain
22 actions by the board that require certain board approval; specifying that a
23 certain decision by the board may be rejected by a certain number of board
24 members; requiring a certain board and its standing committees to maintain full
25 and complete board minutes; altering the term of certain board members
26 beginning on a certain date; altering the maximum term of certain board
27 members; ~~prohibiting certain individuals from serving on a certain board;~~
28 ~~limiting the compensation of certain board members; altering the maximum~~
29 ~~representation of certain individuals on a certain board; specifying that certain~~
30 ~~fiduciary duties of board members do not create a cause of action against a~~
31 ~~certain board; providing that a violation of certain provisions of law is an~~
32 ~~unsound or unsafe business practice; prohibiting the Insurance Commissioner~~
33 ~~from approving certain amendments to the articles of incorporation or bylaws of~~
34 ~~certain corporations unless a certain determination is made by the Insurance~~
35 ~~Commissioner; prohibiting the Insurance Commissioner from approving a~~
36 ~~statement of proposed action by a certain nonprofit health service plan unless a~~
37 ~~certain determination is made by the Insurance Commissioner; providing that~~
38 ~~an officer, director, trustee, or employee of a certain corporation may not~~
39 ~~approve or receive any remuneration from certain corporate assets except for~~
40 ~~certain fair and reasonable compensation; providing that the approval or receipt~~
41 ~~of certain remuneration is a violation of certain provisions of law; requiring the~~
42 ~~Insurance Commissioner to review certain payments made to officers, directors,~~
43 ~~or trustees of a certain corporation on an annual basis; requiring the Insurance~~
44 ~~Commissioner to issue an order prohibiting payment of a certain amount under~~
45 ~~certain circumstances; specifying when a certain determination by a certain~~
46 ~~regulating entity is effective; ratifying a certain determination by the Insurance~~
47 ~~Commissioner; providing for the termination of certain board members and for~~
48 ~~replacement of those members; specifying that the terms of certain board~~

1 members are subject to certain provisions of law; requiring the terms of certain
2 board members to terminate no later than a certain date; requiring a board of a
3 certain corporation to develop a plan for staggered board membership; declaring
4 the intent of the General Assembly that certain board members be subject to the
5 provisions of this Act; providing that certain provisions of this Act apply to
6 certain compensation agreements made by certain officers, directors, trustees,
7 or employees of a certain corporation; prohibiting a person from filing an
8 application to acquire a certain nonprofit health service plan, and prohibiting a
9 certain nonprofit health service plan from being acquired, for a certain period of
10 time; prohibiting the Insurance Commissioner from approving an application for
11 acquisition of a certain nonprofit health service plan; requiring the Insurance
12 Commissioner to monitor a nonprofit health service plan's compliance with this
13 Act and to issue a certain report annually; defining a certain term; altering a
14 certain definition; making this Act an emergency measure; altering certain
15 provisions of law relating to the regulation of nonprofit health service plans;
16 specifying the purpose of certain provisions of law; providing that certain
17 nonprofit health service plans are exempt from certain taxes; establishing the
18 mission of certain nonprofit health service plans; requiring a certain nonprofit
19 health service plan to develop certain goals, objectives, and strategies; requiring a
20 nonprofit health service plan to report quarterly to a certain oversight committee
21 and provide certain information to the oversight committee for a certain purpose;
22 requiring the Insurance Commissioner to submit a certain report to the Governor
23 and certain committees of the General Assembly on or before a certain date and
24 annually thereafter; establishing the scope of certain provisions of law governing
25 nonprofit health service plans; exempting certain nonprofit health service plans
26 from certain requirements; specifying the manner in which certain nonprofit
27 health service plans can satisfy certain requirements; requiring certain nonprofit
28 health service plans to perform certain functions; requiring the Insurance
29 Commissioner to deny inspection of a certain part of a certain report under
30 certain circumstances; repealing a requirement that the Insurance Commissioner
31 follow certain procedures after making a certain determination; requiring the
32 Insurance Commissioner to issue an order to require that a nonprofit health
33 service plan pay a certain premium tax for a certain period of time under certain
34 circumstances; requiring the Maryland Insurance Administration to deposit the
35 premium tax revenue in a certain fund; specifying information that certain
36 applicants for a certificate of authority must submit; specifying certain criteria
37 that the Insurance Commissioner must consider when issuing a certain
38 certificate of authority; authorizing the Insurance Commissioner to disapprove
39 renewal of a certain certificate of authority under certain circumstances;
40 providing that a certain certificate of authority authorizes a certain corporation
41 to engage in certain activities; specifying that certain members of a certain board
42 of directors are fiduciaries on behalf of a certain corporation; specifying the
43 manner in which certain board members must act; specifying the principal
44 functions of a certain board; establishing the composition of a certain board;
45 providing that a certain board is self-perpetuating; requiring a certain board to
46 establish certain committees with certain duties; requiring board approval for
47 certain actions; providing that a decision by a certain board to convert to a
48 for-profit entity under certain provisions of law may be rejected by a certain

1 number of members of the board; requiring a certain board to take and retain
2 certain minutes; altering the term of certain board members beginning on a
3 certain date; altering a certain qualification of a consumer member of a certain
4 board; altering the maximum term of certain board members; prohibiting certain
5 individuals from serving on a certain board; specifying the amount of
6 compensation of certain board members; requiring certain corporations to report
7 to the Insurance Commissioner on the amount of certain expenses paid to board
8 members; altering the definition of an "unsound or unsafe business practice";
9 requiring the Attorney General to notify the Insurance Commissioner that a
10 nonprofit health service plan is engaging in a certain business practice under
11 certain circumstances; authorizing the Attorney General to undertake a certain
12 investigation and initiate a certain action under certain circumstances; requiring
13 the Insurance Commissioner to make certain approvals unless the Insurance
14 Commissioner determines approval is not in the public interest; limiting the
15 compensation that certain individuals may approve or receive from the assets of
16 a certain corporation; requiring a certain board committee to develop certain
17 guidelines and requiring the board to submit the guidelines to the Insurance
18 Commissioner for approval, provide a copy of the guidelines to certain
19 individuals, and adhere to the guidelines in compensating certain individuals;
20 requiring the Insurance Commissioner to review certain guidelines and
21 compensation and issue a certain order prohibiting payment of certain
22 compensation under certain circumstances; providing that the approval or
23 receipt of certain remuneration is a violation of a certain provision of law and is
24 an unsound or unsafe business practice; increasing the maximum civil penalty
25 for violations of certain provisions of law by certain officers, directors, and
26 employees; establishing a Joint Nonprofit Health Service Plan Oversight
27 Committee; establishing the composition of the Committee; providing for the
28 appointment of co-chairmen and for staff assistance for the Committee;
29 requiring the Committee to undertake a certain examination and evaluation to
30 meet certain goals; requiring the Committee to submit a certain annual report in
31 a certain manner and on or before certain dates; specifying when a certain
32 determination made by a certain regulating entity is effective; ratifying a certain
33 determination by the Insurance Commissioner; providing for the termination of
34 the terms of certain board members, the replacement of certain board members,
35 and staggering of the terms of certain board members; prohibiting the acquisition
36 of a certain nonprofit health service plan within a certain period of time;
37 providing for the application of certain provisions of law to certain compensation
38 agreements; prohibiting a member of the board of directors of a certain
39 corporation from serving on the board after removal from the board; stating the
40 intent of the General Assembly to encourage a certain nonprofit health service
41 plan to participate in certain public programs; requiring a certain nonprofit
42 health service plan to work with certain persons, conduct a certain study, and
43 report to certain committees of the General Assembly on or before a certain date;
44 requiring the Insurance Commissioner to make a certain determination
45 regarding whether conduct identified in a certain order issued by the Maryland
46 Insurance Administration violates certain provisions of the Insurance Article;
47 requiring the Insurance Commissioner to take certain action based on a certain
48 determination; requiring the Insurance Commissioner to report on a certain

1 determination on or before a certain date to certain persons; requiring the
 2 Insurance Commissioner to make certain recommendations and report on or
 3 before a certain date to certain persons; requiring the Office of the Attorney
 4 General to make a certain determination regarding whether conduct identified in
 5 a certain order issued by the Maryland Insurance Administration violates
 6 certain provisions of federal or State law; requiring the Office of the Attorney
 7 General to report to the General Assembly certain determinations and
 8 recommendations on or before a certain date; making the provisions of this Act
 9 severable; providing for the termination of certain provisions of this Act; making
 10 this Act an emergency measure; and generally relating to nonprofit health
 11 service plans.

12 ~~BY repealing and reenacting, with amendments,~~
 13 ~~Article—Insurance~~
 14 ~~Section 14-101, 14-102, 14-106, 14-107, 14-109 through 14-111, 14-115,~~
 15 ~~14-116(a)(1), 14-126(a), 14-133(c), 14-139(b) through (g), and 14-504(b)~~
 16 ~~Annotated Code of Maryland~~
 17 ~~(2002 Replacement Volume and 2002 Supplement)~~

18 ~~BY repealing and reenacting, without amendments,~~
 19 ~~Article—Insurance~~
 20 ~~Section 14-504(a)~~
 21 ~~Annotated Code of Maryland~~
 22 ~~(2002 Replacement Volume and 2002 Supplement)~~

23 ~~BY repealing and reenacting, with amendments,~~
 24 ~~Article—State Government~~
 25 ~~Section 6.5-203(h)~~
 26 ~~Annotated Code of Maryland~~
 27 ~~(1999 Replacement Volume and 2002 Supplement)~~

28 BY repealing and reenacting, with amendments,
 29 Article - Insurance
 30 Section 14-102, 14-106, 14-107, 14-109 through 14-111, 14-115, 14-116(a),
 31 14-126(a), 14-133(c), 14-139, and 14-504(b)
 32 Annotated Code of Maryland
 33 (2002 Replacement Volume and 2002 Supplement)

34 BY repealing and reenacting, without amendments,
 35 Article - Insurance
 36 Section 14-116(b) and (c) and 14-504(a)
 37 Annotated Code of Maryland
 38 (2002 Replacement Volume and 2002 Supplement)

39 BY adding to

1 Article - Insurance
 2 Section 14-116(f)
 3 Annotated Code of Maryland
 4 (2002 Replacement Volume and 2002 Supplement)

5 BY adding to
 6 Article - State Government
 7 Section 2-10A-08
 8 Annotated Code of Maryland
 9 (1999 Replacement Volume and 2002 Supplement)

10 BY repealing and reenacting, with amendments,
 11 Article - State Government
 12 Section 6.5-203(h)
 13 Annotated Code of Maryland
 14 (1999 Replacement Volume and 2002 Supplement)

15 **Preamble**

16 ~~WHEREAS, Maryland's Blue Cross Plan was created by statute in 1937 as a~~
 17 ~~charitable and benevolent organization for the benefit and common good of the~~
 18 ~~community as a whole; and~~

19 ~~WHEREAS, Maryland's Blue Cross and Blue Shield Plans were consolidated~~
 20 ~~into a single nonprofit corporation in 1985 to create Blue Cross and Blue Shield of~~
 21 ~~Maryland, Inc.; and~~

22 ~~WHEREAS, Blue Cross and Blue Shield of Maryland, Inc., merged with Group~~
 23 ~~Hospitalization and Medical Services, Inc., in 1997, and CareFirst, Inc., was formed~~
 24 ~~as a holding company; and~~

25 ~~WHEREAS, In 2000, CareFirst, Inc., entered into an affiliation with BlueCross~~
 26 ~~BlueShield Delaware; and~~

27 ~~WHEREAS, CareFirst, Inc., is Maryland's Blue Cross Blue Shield Plan; and~~

28 ~~WHEREAS, CareFirst, as a nonprofit corporation, is a community asset; and~~

29 ~~WHEREAS, The mission of CareFirst is to provide the most affordable and~~
 30 ~~accessible health insurance to Maryland citizens; and~~

31 ~~WHEREAS, There is a national crisis of health insurance affordability and~~
 32 ~~accessibility; and~~

33 ~~WHEREAS, CareFirst is the State's largest health insurer; and~~

34 ~~WHEREAS, CareFirst has enjoyed significant taxpayer and State funded~~
 35 ~~exemptions and subsidies to assist in its mission; and~~

1 WHEREAS, In recent years, CareFirst has exited from several segments of the
2 Maryland health insurance market, including the withdrawal from the
3 Medicare+Choice program and the withdrawal of its subsidiary HMOs, FreeState and
4 Delmarva, from both the individual and small group insurance markets in Maryland,
5 resulting in over 6,000 medically uninsurable individuals; and

6 WHEREAS, Citing a need for increased access to capital, on January 11, 2002,
7 CareFirst filed an application with the Maryland Insurance Commissioner to convert
8 to a for-profit company and to be acquired by a California-based health insurer for
9 \$1.3 billion; and

10 WHEREAS, In 2002, the profits of CareFirst rose 13% to \$104 million, its
11 revenue was \$6.7 billion, and the number of its members increased to 3.24 million;
12 and

13 WHEREAS, On March 5, 2003, after extensive review, the Maryland Insurance
14 Commissioner found that the proposed sale and conversion of CareFirst is not in the
15 public interest; and

16 WHEREAS, The Insurance Commissioner found that the Board of Directors of
17 CareFirst misapprehended, or ignored, its overriding responsibility to the mission of
18 CareFirst and its insureds—to provide coverage at a minimum cost and expense; and

19 WHEREAS, The Insurance Commissioner found that the management of
20 CareFirst did not view their corporate mission as restraining or guiding their
21 business activities; and

22 WHEREAS, The Insurance Commissioner found that the Board of Directors of
23 CareFirst failed to seek and consider material information relevant to the decision to
24 convert, information which an ordinarily prudent person would have sought and
25 considered under the same circumstances, and which would likely have caused a
26 prudent board to reconsider the decision to convert; and

27 WHEREAS, The Insurance Commissioner found that the management of
28 CareFirst insisted on large bonuses and permanent roles in the combined company
29 that conflicted with the interests of CareFirst; and

30 WHEREAS, The Insurance Commissioner found that the decision of the Board
31 of Directors of CareFirst to grant merger incentives was an egregious breach of its
32 duties of care and loyalty and that a key motivation behind the conversion was
33 enrichment of the executives of CareFirst; and

34 WHEREAS, The Insurance Commissioner found that the bidding process for the
35 sale of CareFirst was flawed and did not produce fair market value; and

36 WHEREAS, The Insurance Commissioner found that CareFirst matched or
37 exceeded other nonprofit and for-profit insurers on capital spending and that
38 CareFirst has adequate capital to fund its capital investment needs; now, therefore,

Preamble

1
2 WHEREAS, Maryland's Blue Cross Plan was created by statute in 1937 as a
3 charitable and benevolent organization for the benefit and common good of the
4 community as a whole; and

5 WHEREAS, Maryland's Blue Cross and Blue Shield Plans were consolidated
6 into a single nonprofit corporation in 1985 to create Blue Cross and Blue Shield of
7 Maryland, Inc.; and

8 WHEREAS, Blue Cross and Blue Shield of Maryland, Inc., merged with Group
9 Hospitalization and Medical Services, Inc., in 1997, and CareFirst, Inc., was formed
10 as a holding company; and

11 WHEREAS, In 2000, CareFirst, Inc., entered into an affiliation with BlueCross
12 BlueShield Delaware; and

13 WHEREAS, CareFirst, Inc., is Maryland's Blue Cross Blue Shield Plan; and

14 WHEREAS, CareFirst, as a nonprofit corporation, is a community asset; and

15 WHEREAS, The mission of CareFirst is to provide affordable and accessible
16 health insurance to Maryland citizens; and

17 WHEREAS, There is a national crisis of health insurance affordability and
18 accessibility; and

19 WHEREAS, CareFirst is the State's largest health insurer; and

20 WHEREAS, CareFirst has enjoyed significant taxpayer and State-funded
21 exemptions and subsidies to assist in its mission; and

22 WHEREAS, In recent years, CareFirst has exited from several segments of the
23 Maryland health insurance market, including the withdrawal from the
24 Medicare+Choice program and the withdrawal of its subsidiary HMOs, FreeState and
25 Delmarva, from insurance markets in Maryland, resulting in over 6,000 individuals
26 losing their health insurance; and

27 WHEREAS, Citing a need for increased access to capital, on January 11, 2002,
28 CareFirst filed an application with the Maryland Insurance Commissioner to convert
29 to a for-profit company and to be acquired by a California-based health insurer for
30 \$1.3 billion; and

31 WHEREAS, In 2002, the profits of CareFirst rose 13% to \$104 million, its
32 revenue was \$6.7 billion, and the number of its members increased to 3.24 million; and

33 WHEREAS, On March 5, 2003, after extensive review, the Maryland Insurance
34 Commissioner found that the proposed sale and conversion of CareFirst is not in the
35 public interest; and

1 WHEREAS, The Insurance Commissioner found that the management and
2 Board of Directors of CareFirst did not view their nonprofit mission as restraining or
3 guiding their business activities; and

4 WHEREAS, The Insurance Commissioner found that the management and
5 Board of Directors of CareFirst failed to seek and consider material information
6 relevant to the decision to convert; and

7 WHEREAS, The Insurance Commissioner found that the management of
8 CareFirst sought, and the Board of Directors approved, large bonuses and permanent
9 roles for current management in the combined company and these bonuses created
10 incentives that conflicted with the nonprofit mission of CareFirst; and

11 WHEREAS, The Insurance Commissioner found that the bidding process for the
12 sale of CareFirst was flawed and did not produce fair market value; and

13 WHEREAS, The Insurance Commissioner found that CareFirst matched or
14 exceeded other nonprofit and for-profit insurers on capital spending and that
15 CareFirst has adequate capital to fund its capital investment needs; now, therefore.

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

18 **Article—Insurance**

19 ~~14-101.~~

20 (a) ~~In this subtitle the following words have the meanings indicated.~~

21 (b) ~~"Health care provider" means a chiropractor, dentist, hospital, optometrist,~~
22 ~~pharmacist, physician, podiatrist, or psychologist.~~

23 (c) ~~"Health care services" means chiropractic, dental, hospital, medical,~~
24 ~~optometric, pharmaceutical, podiatric, or psychological services.~~

25 (D) ~~"NONPROFIT HEALTH SERVICE PLAN" INCLUDES AN ENTITY THAT IS~~
26 ~~ISSUED A CERTIFICATE OF AUTHORITY UNDER THIS SUBTITLE, WHETHER OR NOT~~
27 ~~THE ENTITY IS ORGANIZED UNDER THE LAWS OF THIS STATE.~~

28 ~~14-102.~~

29 (A) ~~THE PURPOSE OF THIS SUBTITLE IS:~~

30 (1) ~~TO REGULATE THE FORMATION AND OPERATION OF NONPROFIT~~
31 ~~HEALTH SERVICE PLANS IN THE STATE; AND~~

32 (2) ~~TO PROMOTE THE FORMATION AND EXISTENCE OF NONPROFIT~~
33 ~~HEALTH SERVICE PLANS IN THE STATE THAT:~~

34 (i) ~~ARE COMMITTED TO A NONPROFIT CORPORATE STRUCTURE;~~

1 (II) SEEK TO PROVIDE INDIVIDUALS, BUSINESSES, AND OTHER
2 GROUPS WITH THE MOST AFFORDABLE AND ACCESSIBLE HEALTH INSURANCE
3 POSSIBLE; AND

4 (III) RECOGNIZE A RESPONSIBILITY TO CONTRIBUTE TO THE
5 IMPROVEMENT OF THE OVERALL HEALTH STATUS OF MARYLAND RESIDENTS.

6 (B) A NONPROFIT HEALTH SERVICE PLAN THAT COMPLIES WITH THE
7 PROVISIONS OF THIS SUBTITLE IS DECLARED TO BE A PUBLIC BENEFIT
8 CORPORATION THAT IS EXEMPT FROM TAXATION AS PROVIDED BY LAW.

9 (C) SUBSECTION (D) OF THIS SECTION APPLIES TO ANY INSURER OR HEALTH
10 MAINTENANCE ORGANIZATION WHOLLY OWNED OR CONTROLLED BY A NONPROFIT
11 HEALTH SERVICE PLAN EVEN IF THE INSURER OR HEALTH MAINTENANCE
12 ORGANIZATION IS ORGANIZED AS A FOR-PROFIT ORGANIZATION.

13 (D) THE MISSION OF A NONPROFIT HEALTH SERVICE PLAN SHALL BE TO:

14 (1) PROVIDE AFFORDABLE AND ACCESSIBLE HEALTH INSURANCE TO
15 THE PLAN'S INSURED AND THOSE PERSONS INSURED OR ISSUED HEALTH BENEFIT
16 PLANS BY AFFILIATES OF SUBSIDIARIES OF THE PLAN;

17 (2) ASSIST AND SUPPORT PUBLIC AND PRIVATE HEALTH CARE
18 INITIATIVES FOR INDIVIDUALS WITHOUT HEALTH INSURANCE; AND

19 (3) PROMOTE THE INTEGRATION OF A STATEWIDE HEALTH CARE
20 SYSTEM THAT MEETS THE HEALTH CARE NEEDS OF ALL MARYLAND CITIZENS.

21 (E) A NONPROFIT HEALTH SERVICE PLAN SHALL DEVELOP GOALS,
22 OBJECTIVES, AND STRATEGIES FOR CARRYING OUT ITS STATUTORY MISSION.

23 (F) A corporation without capital stock organized for the purpose of
24 establishing, maintaining, and operating a nonprofit health service plan through
25 which health care providers provide health care services to subscribers to the plan
26 under contracts that entitle each subscriber to certain health care services shall be
27 governed and regulated by:

28 (1) this subtitle;

29 (2) Title 2, Subtitle 2 of this article and §§ 1-206, 3-127, and 12-210 of
30 this article;

31 (3) Title 2, Subtitle 5 of this article;

32 (4) §§ 4-113 and 4-114 of this article;

33 (5) Title 5, Subtitles 1, 2, 3, 4, and 5 of this article;

34 (6) Title 7 of this article, except for § 7-706 and Subtitle 2 of Title 7;

35 (7) Title 9, Subtitles 1, 2, and 4 of this article;

- 1 (8) Title 10, Subtitle 1 of this article;
- 2 (9) Title 27 of this article; and
- 3 (10) any other provision of this article that:
- 4 (i) is expressly referred to in this subtitle;
- 5 (ii) expressly refers to this subtitle; or
- 6 (iii) expressly refers to nonprofit health service plans or persons
7 subject to this subtitle.

8 ~~14-106.~~

9 (a) It is the public policy of this State that the exemption from taxation for
10 nonprofit health service plans under § 6-101(b)(1) of this article is granted so that
11 funds which would otherwise be collected by the State and spent for a public purpose
12 shall be used in a like manner and amount by the nonprofit health service plan.

13 (b) This section does not apply to a nonprofit health service plan that insures
14 ~~[fewer than] BETWEEN 1 AND 10,000 covered lives in Maryland OR ISSUES~~
15 ~~CONTRACTS FOR ONLY ONE OF THE FOLLOWING SERVICES:~~

- 16 (1) ~~PODIATRIC;~~
- 17 (2) ~~CHIROPRACTIC;~~
- 18 (3) ~~PHARMACEUTICAL;~~
- 19 (4) ~~DENTAL;~~
- 20 (5) ~~PSYCHOLOGICAL; OR~~
- 21 (6) ~~OPTOMETRIC.~~

22 (c) By March 1 of each year or a deadline otherwise imposed by the
23 Commissioner for good cause, each nonprofit health service plan shall file with the
24 Commissioner a premium tax exemption report that:

- 25 (1) is in a form approved by the Commissioner; and
- 26 (2) demonstrates that the plan has used funds equal to the value of the
27 premium tax exemption provided to the plan under § 6-101(b) of this article, in a
28 manner that serves the public interest in accordance with ~~[subsections (d) and (e) of]~~
29 ~~this section.~~

30 (d) ~~[A] TO THE EXTENT THAT THE VALUE OF THE PREMIUM TAX EXEMPTION~~
31 ~~EXCEEDS ANY REQUIRED CONTRIBUTION TO THE SUBSIDY PROVIDED TO THE~~
32 ~~SENIOR PRESCRIPTION DRUG PROGRAM ESTABLISHED UNDER TITLE 14, SUBTITLE 5,~~
33 ~~PART II OF THIS ARTICLE TITLE, A nonprofit health service plan may satisfy the~~

1 public service requirement [in subsection (c)(2)] of this section by establishing that
2 the plan has:

3 (1) increased access to, or the affordability of, one or more health care
4 products or services by offering and selling health care products or services that are
5 not required or provided for by law; [or]

6 (2) ~~PROVIDED FINANCIAL OR IN-KIND SUPPORT FOR PUBLIC HEALTH~~
7 ~~PROGRAMS;~~

8 (3) ~~EMPLOYED UNDERWRITING STANDARDS IN A MANNER THAT~~
9 ~~INCREASES THE AVAILABILITY OF ONE OR MORE HEALTH CARE SERVICES OR~~
10 ~~HEALTH CARE PRODUCTS;~~

11 (4) ~~EMPLOYED PRICING POLICIES THAT ENHANCE THE AFFORDABILITY~~
12 ~~OF HEALTH CARE SERVICES OR HEALTH CARE PRODUCTS AND RESULT IN A HIGHER~~
13 ~~MEDICAL LOSS RATIO THAN THAT ESTABLISHED BY A COMPARABLE FOR PROFIT~~
14 ~~HEALTH INSURER; OR~~

15 ~~[(2)]~~ (5) served the public interest by any method or practice approved
16 by the Commissioner.

17 (e) ~~[(1)]~~ ~~[(A)]~~ NOTWITHSTANDING SUBSECTION (D) OF THIS SECTION, A
18 nonprofit health service plan that is subject to this section and issues comprehensive
19 health care benefits in the State shall:

20 (1) OFFER HEALTH CARE PRODUCTS IN THE INDIVIDUAL MARKET;

21 (2) OFFER HEALTH CARE PRODUCTS IN THE SMALL EMPLOYER GROUP
22 MARKET IN ACCORDANCE WITH TITLE 15, SUBTITLE 12 OF THIS ARTICLE; AND

23 (3) administer and subsidize the Senior Prescription Drug Program
24 established under Title 14, Subtitle 5, Part II of this title.

25 ~~[(2)]~~ (F) The subsidy required under the Senior Prescription Drug
26 Program may not exceed the value of the nonprofit health service plan's premium tax
27 exemption under § 6-101(b) of this article.

28 ~~[(f)]~~ (G) Each report filed with the Commissioner under subsection (c) of this
29 section is a public record.

30 14-107.

31 (a) By November 1 of each year, the Commissioner shall issue an order
32 notifying each nonprofit health service plan that is required to file a report under §
33 14-106 of this subtitle of whether the plan has satisfied the requirements of § 14-106
34 of this subtitle.

35 (b) ~~[(1)]~~ If the Commissioner determines that a nonprofit health service plan
36 has not satisfied the requirements of § 14-106 of this subtitle, [the nonprofit health

1 service plan shall have 1 year from the date the Commissioner issued the order under
 2 subsection (a) of this section to comply with the requirements of § 14-106 of this
 3 subtitle.

4 (2) If after the time period provided under paragraph (1) of this
 5 subsection the Commissioner determines that a nonprofit health service plan has not
 6 satisfied the requirements of § 14-106 of this subtitle:

7 (i) the Commissioner shall report the determination to the House
 8 [~~Economic Matters~~] HEALTH AND GOVERNMENT OPERATIONS Committee and the
 9 Senate Finance Committee, including the reasons for the determination; and

10 (ii) if required by an act of the General Assembly, the nonprofit
 11 health service plan shall be subject to] THE COMMISSIONER SHALL ISSUE AN ORDER
 12 REQUIRING THE NONPROFIT HEALTH SERVICE PLAN TO PAY the premium tax under
 13 Title 6, Subtitle 1 of this article;

14 ~~1. FOR A PERIOD OF TIME BEGINNING WITH THE DATE THE~~
 15 ~~PLAN WAS DETERMINED TO NOT BE IN COMPLIANCE WITH § 14-106 OF THIS~~
 16 ~~SUBTITLE; AND UNTIL SUCH TIME AS THE NONPROFIT HEALTH SERVICE PLAN~~
 17 ~~DEMONSTRATES TO THE COMMISSIONER THAT THE PLAN IS COMPLYING WITH §~~
 18 ~~14-106 OF THIS SUBTITLE.~~

19 ~~2. IN AN AMOUNT EQUAL TO THE AMOUNT BY WHICH THE~~
 20 ~~VALUE OF THE NONPROFIT HEALTH SERVICE PLAN'S PREMIUM TAX EXEMPTION~~
 21 ~~UNDER § 6-101(B) OF THIS ARTICLE EXCEEDS THE SUM OF:~~

22 ~~A. THE SUBSIDY REQUIRED UNDER THE SENIOR~~
 23 ~~PRESCRIPTION DRUG PROGRAM ESTABLISHED UNDER SUBTITLE 5, PART II OF THIS~~
 24 ~~TITLE; AND~~

25 ~~B. OTHER FUNDS USED BY THE NONPROFIT HEALTH~~
 26 ~~SERVICE PLAN TO MEET THE PUBLIC SERVICE REQUIREMENT UNDER § 14-106 OF~~
 27 ~~THIS SUBTITLE.~~

28 (e) A nonprofit health service plan that fails to timely file the report required
 29 under § 14-106 of this subtitle shall pay the penalties under § 14-121 of this subtitle.

30 (d) A party aggrieved by an order of the Commissioner issued under this
 31 section has a right to a hearing in accordance with §§ 2-210 through 2-215 of this
 32 article.

33 (E) PREMIUM TAX REVENUE COLLECTED BY THE ADMINISTRATION AS THE
 34 RESULT OF AN ORDER ISSUED UNDER SUBSECTION (B) OF THIS SECTION SHALL BE
 35 DEPOSITED INTO THE MARYLAND HEALTH INSURANCE PLAN FUND ESTABLISHED
 36 UNDER § 14-504 OF THIS TITLE.

1 ~~14-109.~~

2 An applicant for a certificate of authority shall:

3 (1) file with the Commissioner an application on the form that the
4 Commissioner provides containing the information that the Commissioner considers
5 necessary;

6 (2) pay to the Commissioner the applicable fee required by § 2-112 of
7 this article; and

8 (3) file with the Commissioner copies of the following documents,
9 certified by at least two of the executive officers of the corporation:

10 (i) articles of incorporation, ~~INCLUDING THE APPLICANT'S~~
11 ~~CORPORATE MISSION STATEMENT~~, with all amendments;

12 (ii) bylaws with all amendments;

13 (iii) each contract executed or proposed to be executed by the
14 corporation and a health care provider, embodying the terms under which health care
15 services are to be furnished to subscribers to the plan;

16 (iv) each form of contract issued or proposed to be issued to
17 subscribers to the plan and a table of the rates charged or proposed to be charged to
18 subscribers for each form of contract;

19 (v) a financial statement of the corporation, including the amount
20 of each contribution paid or agreed to be paid to the corporation for working capital,
21 the name of each contributor, and the terms of each contribution;

22 (vi) a list of the names and addresses of and biographical
23 information about the members of the board of directors of the [nonprofit health
24 service plan] CORPORATION; [and]

25 (VII) ~~A LIST OF THE TOTAL COMPENSATION PAID OR PROPOSED TO~~
26 ~~BE PAID TO EACH OFFICER AND MEMBER OF THE BOARD OF DIRECTORS, DIRECTOR,~~
27 ~~OR TRUSTEE OF THE CORPORATION;~~

28 (VIII) ~~A LIST OF THE BEGINNING AND ENDING TERMS OF~~
29 ~~MEMBERSHIP FOR EACH MEMBER OF THE BOARD OF DIRECTORS OF THE~~
30 ~~CORPORATION; AND~~

31 [(vii)] (IX) any other information or documents that the
32 Commissioner considers necessary to ensure compliance with this subtitle.

1 14-110.

2 The Commissioner shall issue a certificate of authority to an applicant if:

3 (1) the applicant has paid the applicable fee required by § 2-112 of this
4 article; and

5 (2) the Commissioner is satisfied:

6 (i) that the applicant has been organized in good faith for the
7 purpose of establishing, maintaining, and operating a nonprofit health service plan
8 THAT:

9 1. IS COMMITTED TO A NONPROFIT CORPORATE
10 STRUCTURE;

11 2. SEEKS TO PROVIDE THE MOST AFFORDABLE AND
12 ACCESSIBLE HEALTH INSURANCE POSSIBLE; AND

13 3. RECOGNIZES A RESPONSIBILITY TO CONTRIBUTE TO THE
14 IMPROVEMENT OF THE OVERALL HEALTH STATUS OF MARYLAND RESIDENTS;

15 (ii) that:

16 1. each contract executed or proposed to be executed by the
17 applicant and a health care provider to furnish health care services to subscribers to
18 the nonprofit health service plan, obligates or, when executed, will obligate each
19 health care provider party to the contract to render the health care services to which
20 each subscriber is entitled under the terms and conditions of the various contracts
21 issued or proposed to be issued by the applicant to subscribers to the plan; and

22 2. each subscriber is entitled to reimbursement for podiatric,
23 chiropractic, psychological, or optometric services, regardless of whether the service is
24 performed by a licensed physician, licensed podiatrist, licensed chiropractor, licensed
25 psychologist, or licensed optometrist;

26 (iii) that:

27 1. each contract issued or proposed to be issued to
28 subscribers to the plan is in a form approved by the Commissioner; and

29 2. the rates charged or proposed to be charged for each form
30 of each contract are fair and reasonable;

31 (iv) that the applicant has a surplus, as defined in § 14-117 of this
32 subtitle, of the greater of:

33 1. \$100,000; and

34 2. an amount equal to that required under § 14-117 of this
35 subtitle; and

1 (v) that, except for a nonprofit health service plan that insures
2 ~~[fewer than] BETWEEN 1 AND 10,000 covered lives in the State, the nonprofit health~~
3 ~~service plan's corporate headquarters is located in the State.~~

4 ~~14-111.~~

5 A certificate of authority issued under this subtitle authorizes a corporation to:

6 (1) issue contracts in the form filed with the Commissioner to persons
7 ~~that become subscribers to the plan;~~

8 (2) ~~FINANCE CAPITAL IMPROVEMENT PROJECTS THROUGH THE~~
9 ~~MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY AS~~
10 ~~PROVIDED UNDER ARTICLE 43C OF THE CODE, AS APPROVED BY THE COMMISSIONER;~~

11 (3) ~~FINANCE CAPITAL IMPROVEMENT PROJECTS THROUGH THE~~
12 ~~MARYLAND ECONOMIC DEVELOPMENT CORPORATION AS PROVIDED UNDER ARTICLE~~
13 ~~83A, TITLE 5, SUBTITLE 2 OF THE CODE, AS APPROVED BY THE COMMISSIONER; AND~~

14 (4) ~~PARTNER WITH THE STATE AND OTHER PUBLIC OR PRIVATE~~
15 ~~ENTITIES TO PROVIDE SERVICES OR ADMINISTER PROGRAMS INTENDED TO~~
16 ~~ADDRESS COMMUNITY HEALTH CARE NEEDS, AS APPROVED BY THE COMMISSIONER.~~

17 ~~14-115.~~

18 (a) (1) ~~In this section the following words have the meanings indicated.~~

19 (2) ~~"Board" means the board of directors of a nonprofit health service~~
20 ~~plan.~~

21 (3) ~~"Immediate family member" means a spouse, child, child's spouse,~~
22 ~~parent, spouse's parent, sibling, or sibling's spouse.~~

23 (b) ~~Subsections (c) through [(f)] (H) of this section apply to a nonprofit health~~
24 ~~service plan that is incorporated under the laws of the State and operates under a~~
25 ~~certificate of authority issued by the Commissioner under this subtitle.~~

26 (e) (1) ~~The business and affairs of a nonprofit health service plan shall be~~
27 ~~managed under the direction of a board of directors.~~

28 (2) ~~The board and its individual members are fiduciaries and shall act:~~

29 (i) ~~in good faith;~~

30 (ii) ~~in a manner that is reasonably believed to be in the best~~
31 ~~interests of the corporation AND ITS CONTROLLED AFFILIATES OR SUBSIDIARIES~~
32 ~~THAT OFFER HEALTH BENEFIT PLANS; [and]~~

33 (iii) ~~IN A MANNER THAT IS REASONABLY BELIEVED TO BE IN~~
34 ~~FURTHERANCE OF THE CORPORATION'S NONPROFIT MISSION; AND~~

1 ~~[(iii)]~~ (IV) with the care that an ordinarily prudent person in a like
2 position would use under similar circumstances.

3 (3) ~~THE PRINCIPAL FUNCTIONS OF THE BOARD SHALL INCLUDE:~~

4 ~~(I) ENSURING THAT THE CORPORATION EFFECTIVELY CARRIES~~
5 ~~OUT THE NONPROFIT MISSION ESTABLISHED UNDER § 14-102(C) OF THIS SUBTITLE;~~

6 ~~(II) SELECTING AND EVALUATING THE PERFORMANCE OF~~
7 ~~CORPORATE MANAGEMENT;~~

8 ~~(III) ENSURING TO THE EXTENT PRACTICABLE THAT HUMAN~~
9 ~~RESOURCES AND OTHER RESOURCES ARE SUFFICIENT TO MEET CORPORATE~~
10 ~~OBJECTIVES;~~

11 ~~(IV) NOMINATING AND SELECTING SUITABLE CANDIDATES FOR~~
12 ~~INDIVIDUALS TO THE BOARD; AND~~

13 ~~(V) ESTABLISHING A SYSTEM OF GOVERNANCE AT THE BOARD~~
14 ~~LEVEL, INCLUDING AN ANNUAL EVALUATION OF BOARD PERFORMANCE.~~

15 ~~(4) EACH MEMBER OF THE BOARD SHALL DEMONSTRATE A~~
16 ~~COMMITMENT TO THE MISSION OF THE NONPROFIT HEALTH SERVICE PLAN.~~

17 ~~[(3)]~~ (5) An officer or employee of a nonprofit health service plan or any
18 of its affiliates or subsidiaries may not be appointed or elected to the board.

19 ~~[(4)]~~ (6) A nonprofit health service plan is subject to the provisions of §
20 ~~2-419 of the Corporations and Associations Article.~~

21 ~~(d) (1) THIS SUBSECTION APPLIES TO A CORPORATION THAT:~~

22 ~~(I) IS ISSUED A CERTIFICATE OF AUTHORITY AS A NONPROFIT~~
23 ~~HEALTH SERVICE PLAN; AND~~

24 ~~(II) IS THE SOLE MEMBER OF A CORPORATION ISSUED A~~
25 ~~CERTIFICATE OF AUTHORITY AS A NONPROFIT HEALTH SERVICE PLAN.~~

26 (2) This subsection does not apply to a board of a nonprofit health service
27 plan that ~~INSURES BETWEEN 1 AND 10,000 COVERED LIVES IN MARYLAND OR issues~~
28 ~~contracts for only one of the following services:~~

29 (i) podiatric;

30 (ii) chiropractic;

31 (iii) pharmaceutical;

32 (iv) dental;

33 (v) psychological; or

1 (vi) optometric.

2 (3) (I) THE BOARD OF DIRECTORS OF A NONPROFIT HEALTH SERVICE
3 PLAN SUBJECT TO THIS SECTION SHALL HAVE NO MORE THAN 21 MEMBERS.

4 (II) OF THE 21 MEMBERS OF THE BOARD:

5 1. ONE SHALL BE APPOINTED BY THE PRESIDENT OF THE
6 SENATE;

7 2. ONE SHALL BE APPOINTED BY THE SPEAKER OF THE
8 HOUSE; AND

9 3. 19 SHALL BE SELECTED BY THE BOARD, INCLUDING TWO
10 CONSUMER MEMBERS WHO SATISFY THE REQUIREMENTS OF PARAGRAPHS (4)
11 THROUGH (6) OF THIS SUBSECTION.

12 (III) TO THE EXTENT POSSIBLE, THE BOARD SHALL INCLUDE
13 INDIVIDUALS WITH EXPERIENCE:

14 1. IN ACCOUNTING, INFORMATION TECHNOLOGY, FINANCE,
15 LAW, LARGE AND SMALL BUSINESS, NONPROFIT BUSINESS, AND ORGANIZED LABOR;
16 AND

17 2. IN SERVING AS A TRUSTEE OR DIRECTOR OF A NONPROFIT
18 CORPORATION.

19 {(2)} The board shall appoint two additional members to serve as voting
20 consumer members.]

21 {(3)} (4) Of the two consumer members, one shall be a subscriber and
22 one shall be a certificate holder of the nonprofit health service plan.

23 {(4)} (5) Each consumer member of the board:

24 (i) shall be a member of the general public;

25 (ii) may not be considered an agent or employee of the State for any
26 purpose; and

27 (iii) is entitled to the same rights, powers, and privileges as the
28 other members of the board.

29 {(5)} (6) A consumer member of the board may not:

30 (i) be a licensee of or otherwise be subject to regulation by the
31 Commissioner;

32 (ii) be employed by or have a financial interest in:

1 1. a nonprofit health service plan or its affiliates or
2 subsidiaries; or

3 2. a person regulated under this article or the Health
4 General Article; or

5 (iii) within 1 year before appointment, have been employed by, had a
6 financial interest in, or have received compensation from:

7 1. a nonprofit health service plan or its affiliates or
8 subsidiaries; or

9 2. a person regulated under this article or the Health
10 General Article.

11 (7) NO MORE THAN FOUR MEMBERS OF THE BOARD MAY BE:

12 (I) LICENSED HEALTH CARE PROFESSIONALS;

13 (II) HOSPITAL ADMINISTRATORS; OR

14 (III) EMPLOYEES OF HEALTH CARE PROFESSIONALS OR HOSPITALS.

15 (8) (I) THE BOARD SHALL ESTABLISH THE FOLLOWING STANDING
16 COMMITTEES:

17 1. AN AUDIT COMMITTEE RESPONSIBLE FOR ENSURING
18 FINANCIAL ACCOUNTABILITY;

19 2. A FINANCE COMMITTEE RESPONSIBLE FOR REVIEWING
20 AND MAKING RECOMMENDATIONS ON THE ANNUAL BUDGET AND FOR DEVELOPING
21 AND RECOMMENDING LONG-RANGE FINANCIAL OBJECTIVES;

22 3. A COMPENSATION COMMITTEE RESPONSIBLE FOR:

23 A. EVALUATING AND APPROVING RECOMMENDING FOR
24 APPROVAL THE COMPENSATION PAID TO OFFICERS AND EMPLOYEES WITH ANNUAL
25 COMPENSATION GREATER THAN \$150,000, INCLUDING ANY BONUS OR INCREASE IN
26 COMPENSATION;; AND

27 B. FOR COMPARING THE COMPENSATION WITH OFFICERS
28 AND EMPLOYEES OF COMPARABLE NOT FOR PROFIT ENTITIES IN THE UNITED
29 STATES AND REPORTING THIS INFORMATION ANNUALLY TO THE BOARD;

30 4. A NOMINATING COMMITTEE RESPONSIBLE FOR
31 IDENTIFYING, EVALUATING, AND RECOMMENDING TO THE BOARD INDIVIDUALS
32 QUALIFIED TO BECOME BOARD MEMBERS AND RECOMMENDING TO THE BOARD
33 THOSE MEMBERS REPRESENTING GROUP HOSPITALIZATION AND MEDICAL
34 SERVICES, INC. AND BLUECROSS BLUESHIELD DELAWARE;

1 (8) A member shall meet any other qualifications set forth in the bylaws
2 of the nonprofit health service plan.

3 (9) A member may not be an immediate family member of another board
4 member or an officer or employee of the nonprofit health service plan.

5 (10) The board shall elect a chairman from among its members.

6 (11) The ~~[membership]~~ COMPOSITION of the board shall represent the
7 ~~[different]~~ RACIAL, GENDER, AND geographic ~~[regions]~~ DIVERSITY of the State.

8 (f) The board shall notify the Commissioner of any member who attends less
9 than 65% of the meetings of the board during a period of 12 consecutive months.

10 [(g)] (1) This subsection does not apply to a board of a nonprofit health service
11 plan that has a premium income for the preceding year of less than \$30,000,000.

12 (2) No more than 25% of a board may be:

13 (i) licensed health care professionals;

14 (ii) hospital administrators; and

15 (iii) employees of health care professionals or hospitals.

16 (3) The Commissioner may adopt regulations that limit the
17 representation of licensed health care professionals, hospital administrators, and
18 employees of health care professionals or hospitals on a subcommittee of the board in
19 accordance with paragraph (2) of this subsection.]

20 (G) (1) ~~EXCLUDING REIMBURSEMENT FOR ORDINARY AND NECESSARY~~
21 ~~TRAVEL EXPENSES INCURRED AS A RESULT OF SERVING ON THE BOARD, A DIRECTOR~~
22 ~~OF A CORPORATION SUBJECT TO THIS SECTION MAY NOT RECEIVE TOTAL~~
23 ~~COMPENSATION IN EXCESS OF \$10,000 ANNUALLY FOR SERVING ON THE BOARD.~~

24 (2) ~~A MEMBER MAY NOT RECEIVE MORE THAN THE AMOUNT SPECIFIED~~
25 ~~IN PARAGRAPH (1) OF THIS SUBSECTION FOR SERVING ON MORE THAN ONE BOARD~~
26 ~~OF A CORPORATION SUBJECT TO THIS SECTION.~~

27 ~~14-116.~~

28 (a) (1) ~~In this section, "unsound or unsafe business practice" means a~~
29 ~~business practice that:~~

30 (i) ~~is detrimental to the financial condition of a nonprofit health~~
31 ~~service plan and does not conform to sound industry practice; [or]~~

32 (ii) ~~impairs the ability of a nonprofit health service plan to pay~~
33 ~~subscriber benefits; OR~~

34 (iii) ~~VIOLATES § 14-102, § 14-115, OR § 14-139(C) OF THIS SUBTITLE.~~

1 ~~14-126.~~

2 ~~(a) (1) A corporation subject to this subtitle may not amend its certificate of~~
3 ~~incorporation, bylaws, or the terms and provisions of contracts issued or proposed to~~
4 ~~be issued to subscribers to the plan until the proposed amendments have been~~
5 ~~submitted to and approved by the Commissioner and the applicable fees required by~~
6 ~~§ 2-112 of this article have been paid.~~

7 ~~(2) A corporation subject to this subtitle may not change the table of~~
8 ~~rates charged or proposed to be charged to subscribers for a form of contract issued or~~
9 ~~to be issued for health care services until the proposed change has been submitted to~~
10 ~~and approved by the Commissioner.~~

11 ~~(3) THE COMMISSIONER MAY NOT APPROVE AN AMENDMENT TO A~~
12 ~~CORPORATION'S ARTICLES OF INCORPORATION OR BYLAWS UNDER PARAGRAPH (1)~~
13 ~~OF THIS SUBSECTION UNLESS THE COMMISSIONER DETERMINES THE AMENDMENT~~
14 ~~IS IN THE PUBLIC INTEREST.~~

15 ~~14-133.~~

16 ~~(e) (1) A nonprofit health service plan shall submit a statement of proposed~~
17 ~~action to the Commissioner before the plan may:~~

18 ~~(i) create, acquire, or invest in an affiliate or subsidiary in order to~~
19 ~~control the affiliate or subsidiary;~~

20 ~~(ii) alter the structure, organization, purpose, or ownership of the~~
21 ~~plan or an affiliate or subsidiary of the corporation;~~

22 ~~(iii) make an investment exceeding \$500,000; or~~

23 ~~(iv) make an investment in an affiliate or subsidiary.~~

24 ~~(2) The nonprofit health service plan shall file the statement of proposed~~
25 ~~action required under this subsection at least 60 days before the effective date of the~~
26 ~~proposed action.~~

27 ~~(3) The nonprofit health service plan may not engage in a proposed~~
28 ~~action described under paragraph (1)(i) through (iii) of this subsection unless the~~
29 ~~Commissioner approves the action in writing.~~

30 ~~(4) The Commissioner shall either approve or disapprove the proposed~~
31 ~~action within 60 days after the Commissioner receives the statement of proposed~~
32 ~~action.~~

33 ~~(5) THE COMMISSIONER MAY NOT APPROVE A STATEMENT OF~~
34 ~~PROPOSED ACTION UNDER THIS SUBSECTION UNLESS THE COMMISSIONER~~
35 ~~DETERMINES THE PROPOSED ACTION IS IN THE PUBLIC INTEREST.~~

1 ~~14-139.~~

2 (b) ~~An officer, director, or trustee of a corporation operating under this subtitle~~
3 ~~may not receive any immediate or future remuneration as the result of an acquisition~~
4 ~~or proposed acquisition, as defined under § 6.5-101 of the State Government Article,~~
5 ~~except in the form of compensation paid for continued employment with the company~~
6 ~~or acquiring entity.~~

7 ~~(C) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, AN~~
8 ~~OFFICER, DIRECTOR, TRUSTEE, OR EMPLOYEE OF A CORPORATION OPERATING~~
9 ~~UNDER THIS SUBTITLE MAY NOT APPROVE OR RECEIVE ANY REMUNERATION FROM~~
10 ~~THE ASSETS OF THE CORPORATION.~~

11 ~~(2) AN OFFICER, DIRECTOR, TRUSTEE, OR EMPLOYEE OF A~~
12 ~~CORPORATION OPERATING UNDER THIS SUBTITLE MAY ONLY APPROVE OR RECEIVE~~
13 ~~FROM THE ASSETS OF THE CORPORATION FAIR AND REASONABLE COMPENSATION~~
14 ~~IN THE FORM OF SALARY, BONUSES, OR PERQUISITES FOR WORK ACTUALLY~~
15 ~~PERFORMED FOR THE BENEFIT OF THE CORPORATION.~~

16 ~~(3) THE APPROVAL OR RECEIPT OF REMUNERATION IN VIOLATION OF~~
17 ~~THIS SUBSECTION IS A VIOLATION OF § 14-115(C) OF THIS SUBTITLE AND SHALL BE~~
18 ~~CONSIDERED AN UNSOUND OR UNSAFE BUSINESS PRACTICE UNDER § 14-116 OF THIS~~
19 ~~SUBTITLE.~~

20 ~~(4) (f) ON AN ANNUAL BASIS, THE COMMISSIONER SHALL REVIEW~~
21 ~~THE COMPENSATION, BONUSES, AND ANY PAYMENTS FOR PERQUISITES PAID TO~~
22 ~~EACH OFFICER, DIRECTOR, OR TRUSTEE OF A CORPORATION OPERATING UNDER~~
23 ~~THIS SUBTITLE FOR WORK PERFORMED FOR THE CORPORATION.~~

24 ~~(H) IF THE COMMISSIONER FINDS THAT REMUNERATION PAID TO~~
25 ~~AN OFFICER, DIRECTOR, OR TRUSTEE EXCEEDS THE AMOUNT AUTHORIZED UNDER~~
26 ~~PARAGRAPH (2) OF THIS SUBSECTION, THE COMMISSIONER SHALL ISSUE AN ORDER~~
27 ~~PROHIBITING PAYMENT OF THE EXCESS AMOUNT.~~

28 ~~[(c)] (D) (1) A person that violates subsection (a) OR (C) of this section is~~
29 ~~subject to a civil penalty not exceeding \$5,000 for each violation.~~

30 ~~(2) Instead of or in addition to imposing a civil penalty, the~~
31 ~~Commissioner may require the violator to make restitution to any person that has~~
32 ~~suffered financial injury as a result of the violation.~~

33 ~~[(d)] (E) In determining the amount of financial penalty to be imposed, the~~
34 ~~Commissioner shall consider:~~

35 ~~(1) the seriousness of the violation;~~

36 ~~(2) the good faith of the violator;~~

37 ~~(3) the violator's history of previous violations;~~

1 ~~(4) the deleterious effect of the violation on the public and the nonprofit~~
2 ~~health service industry; and~~

3 ~~(5) the assets of the violator.~~

4 ~~[(e)] (F) (1) Before assessing a civil penalty, the Commissioner shall serve~~
5 ~~by certified mail, return receipt requested, on the person to be charged a notice that~~
6 ~~contains:~~

7 ~~(i) the specifications of the charge; and~~

8 ~~(ii) the time and place of a hearing to be held on the charges.~~

9 ~~(2) The Commissioner shall hold a hearing on the charges at least 20~~
10 ~~days after the date of mailing the notice.~~

11 ~~(3) The Commissioner or designee of the Commissioner shall conduct a~~
12 ~~hearing on the charges in accordance with Title 2, Subtitle 2 of this article.~~

13 ~~(4) Subject to Title 2, Subtitle 2 of this article, an appeal may be taken~~
14 ~~from a final order of the Commissioner to the Circuit Court for Baltimore City.~~

15 ~~[(f)] (G) In addition to any other penalty or remedy under this section, a~~
16 ~~person that is found to have gained financially from a violation of a provision of this~~
17 ~~article or a regulation adopted by the Commissioner shall forfeit the gain.~~

18 ~~[(g)] (H) This section does not prevent a person damaged by a director, officer,~~
19 ~~manager, employee, or agent of a corporation subject to this subtitle from bringing a~~
20 ~~separate action in a court of competent jurisdiction.~~

21 14-504.

22 ~~(a) (1) There is a Maryland Health Insurance Plan Fund.~~

23 ~~(2) The Fund is a special nonlapsing fund that is not subject to § 7-302 of~~
24 ~~the State Finance and Procurement Article.~~

25 ~~(3) The Treasurer shall separately hold and the Comptroller shall~~
26 ~~account for the Fund.~~

27 ~~(4) The Fund shall be invested and reinvested at the direction of the~~
28 ~~Board in a manner that is consistent with the requirements of Title 5, Subtitle 6 of~~
29 ~~this article.~~

30 ~~(5) Any investment earnings shall be retained to the credit of the Fund.~~

31 ~~(6) On an annual basis, the Fund shall be subject to an independent~~
32 ~~actuarial review setting forth an opinion relating to reserves and related actuarial~~
33 ~~items held in support of policies and contracts.~~

1 (7) The Fund shall be used only to provide funding for the purposes
2 authorized under this subtitle.

3 (b) The Fund shall consist of:

4 (1) premiums for coverage that the Plan issues;

5 (2) premiums paid by enrollees of the Senior Prescription Drug Program;

6 (3) money collected in accordance with § 19-219 of the Health—General
7 Article;

8 (4) money deposited by a carrier in accordance with § 14-513 of this
9 subtitle;

10 (5) income from investments that the Board makes or authorizes on
11 behalf of the Fund;

12 (6) interest on deposits or investments of money from the Fund; [and]

13 (7) PREMIUM TAX REVENUE COLLECTED UNDER § 14-107 OF THIS TITLE;
14 AND

15 [(7)] (8) money collected by the Board as a result of legal or other actions
16 taken by the Board on behalf of the Fund.

17 **Article—State Government**

18 ~~6.5-203.~~

19 (h) A determination made by the appropriate regulating entity under
20 subsection (f) of this section may not take effect until 90 calendar days after the date
21 the determination is made OR WHEN RATIFIED OR REJECTED BY THE GENERAL
22 ASSEMBLY, WHICHEVER IS EARLIER.

23 SECTION 2. AND BE IT FURTHER ENACTED, That pursuant to §
24 6.5-203(h) of the State Government Article as enacted by Section 1 of this Act, the
25 General Assembly of Maryland ratifies the determination of the Insurance
26 Commissioner, and for the reasons set forth in MIA Case No. 2003-02-032, finds that
27 the conversion of CareFirst to a for profit entity is not in the public interest, and
28 declares that it is in the interest of all Marylanders to protect and preserve CareFirst
29 in its nonprofit form.

30 SECTION 3. AND BE IT FURTHER ENACTED, That any person who is a
31 member of the board of directors of a nonprofit health service plan that is subject to
32 the provisions of § 14-115(d) of the Insurance Article as enacted by Section 1 of this
33 Act on the effective date of this Act:

1 (a) whose term as a director has exceeded the 9 year statutory term limit
 2 applicable to a nonprofit health service plan shall be removed from the board
 3 immediately; and

4 (b) whose term expires in December 2003 shall be removed no later than
 5 December 31, 2003.

6 ~~SECTION 4. AND BE IT FURTHER ENACTED, That:~~

7 (a) Notwithstanding the provisions of § 14-115(d)(3)(ii)3 of the Insurance
 8 Article as enacted by Section 1 of this Act, to fill the vacancies resulting under Section
 9 3(1) of this Act, members of the board who shall begin serving on the effective date of
 10 this Act shall be appointed as follows:

11 (1) one member appointed by the President of the Senate;

12 (2) one member appointed by the Speaker of the House;

13 (3) three members appointed by the Governor as follows:

14 (i) one member representing the Maryland Hospital Association;

15 (ii) one member representing small business interests; and

16 (iii) one consumer member, who is the officer of an insurer, that is
 17 not a health insurer, organized under the laws of the State and who is subject to the
 18 provisions of § 14-115(d)(5) and (6) of the Insurance Article as enacted by Section 1 of
 19 this Act; and

20 (4) three members appointed by the board, subject to § 14-115(d)(8)(i)4
 21 of the Insurance Article as enacted by Section 1 of this Act.

22 (b) Notwithstanding the provisions of § 14-115(d)(3)(ii)3 of the Insurance
 23 Article as enacted by Section 1 of this Act, to fill the vacancies resulting under Section
 24 3(2) of this Act, members of the board shall be appointed as follows:

25 (1) three members appointed by the Governor as follows:

26 (i) one member representing the Maryland Medical and
 27 Chirurgical Society;

28 (ii) one member representing organized labor; and

29 (iii) one consumer member who is subject to the provisions of §
 30 14-115(d)(5) and (6) of the Insurance Article as enacted by Section 1 of this Act; and

31 (2) ten members appointed by the board, subject to § 14-115(d)(8)(i)4 of
 32 the Insurance Article as enacted by Section 1 of this Act.

33 ~~SECTION 3. AND BE IT FURTHER ENACTED, That:~~

1 (a) ~~Those board members representing a corporation that is organized under~~
 2 ~~the laws of the State and that is subject to the provisions of § 14-115(d) of the~~
 3 ~~Insurance Article, as enacted by Section 1 of this Act, shall be removed from the board~~
 4 ~~of directors as follows:~~

5 (1) ~~eight members whose initial election to any board of a nonprofit~~
 6 ~~health service plan organized under the laws of this State occurred between June~~
 7 ~~1993 and December 1995 shall be removed on the effective date of this Act; and~~

8 (2) ~~four members whose initial election to any board of a nonprofit~~
 9 ~~health service plan organized under the laws of this State occurred between January~~
 10 ~~1996 and April 1998 shall be removed on or before December 31, 2003.~~

11 (b) ~~This section does not apply to those members who serve on the board of~~
 12 ~~directors of a corporation that is subject to the provisions of § 14-115(d) of the~~
 13 ~~Insurance Article, as enacted by Section 1 of this Act, who represent a corporation~~
 14 ~~that is not organized under the laws of the State.~~

15 SECTION 4. AND BE IT FURTHER ENACTED, That:

16 (a) ~~Notwithstanding the provisions of § 14-115(d)(3)(ii)3 of the Insurance~~
 17 ~~Article, as enacted by Section 1 of this Act, to fill the eight board vacancies resulting~~
 18 ~~from the removal of directors under Section 3(a)(1) of this Act, successor members~~
 19 ~~shall begin serving on the effective date of this Act and shall be appointed as follows:~~

20 (1) ~~one member by the President of the Senate;~~

21 (2) ~~one member by the Speaker of the House; and~~

22 (3) ~~six members by the Governor as follows:~~

23 (i) ~~one member representing the Maryland Medical and~~
 24 ~~Chirurgical Society;~~

25 (ii) ~~one member representing the interests of hospitals in the State;~~

26 (iii) ~~one member representing small business interests in the State;~~

27 (iv) ~~one member representing organized labor in the State; and~~

28 (v) ~~two consumer members, both of whom shall be subject to the~~
 29 ~~provisions of § 14-115(d)(5) and (6) of the Insurance Article, as enacted by Section 1 of~~
 30 ~~this Act, and one of whom shall be an officer of an insurer that is not a health insurer~~
 31 ~~and that is organized under the laws of the State.~~

32 (b) ~~Notwithstanding the provisions of § 14-115(d)(3)(ii)3 of the Insurance~~
 33 ~~Article, as enacted by Section 1 of this Act, to fill the four board vacancies resulting~~
 34 ~~from the removal of directors under Section 3(a)(2) of this Act, successor members~~
 35 ~~shall begin serving on or before December 31, 2003 and shall be appointed by those~~
 36 ~~members appointed under subsection (a) of this section.~~

1 (e) All members appointed under subsections (a) and (b) of this section shall
2 have prior experience serving as a trustee or director of a corporation.

3 (d) When the terms of the board members appointed under subsections (a) and
4 (b) of this section expire as provided under § 14-115(e) of the Insurance Article, as
5 enacted by Section 1 of this Act, the vacancies shall be filled in accordance with §
6 14-115(d)(3) of the Insurance Article, as enacted by Section 1 of this Act.

7 (e) The term of a board member who serves on the board of a corporation
8 subject to the provisions of § 14-115(d) of the Insurance Article, as enacted by Section
9 1 of this Act, and who represents a corporation that is not organized under the laws of
10 the State;

11 (1) shall be subject to the provisions of § 14-115(e)(6)(ii) of the Insurance
12 Article, as enacted by Section 1 of this Act; and

13 (2) shall terminate no later than March 31, 2006.

14 (f) Subject to approval by the Insurance Commissioner, the board of directors
15 of a corporation subject to the provisions of § 14-115(d) of the Insurance Article, as
16 enacted by Section 1 of this Act, shall develop a plan to stagger the terms of the board
17 members.

18 SECTION 5. AND BE IT FURTHER ENACTED, That it is the intent of the
19 General Assembly that the provisions of Section 1 of this Act shall apply to all
20 members serving on the board of directors of a nonprofit health service plan that is
21 subject to the provisions of § 14-115(d) of the Insurance Article, as enacted by Section
22 1 of this Act.

23 SECTION 6. AND BE IT FURTHER ENACTED, That the provisions of §
24 14-139(e) of the Insurance Article, as enacted by Section 1 of this Act, shall apply to
25 any existing compensation agreement, including an agreement to provide termination
26 benefits, between a corporation organized under the laws of this State and subject to
27 § 14-115(d) of the Insurance Article, as enacted by Section 1 of this Act, and an officer,
28 director, trustee, or employee of the corporation.

29 SECTION 7. AND BE IT FURTHER ENACTED, That, for a period of 5 years
30 after the effective date of this Act:

31 (1) a person may not file an application for the acquisition of a nonprofit
32 health service plan subject to the provisions of § 14-115(d) of the Insurance Article, as
33 enacted by Section 1 of this Act, and a nonprofit health service plan subject to the
34 provisions of § 14-115(d) of the Insurance Article, as enacted by Section 1 of this Act,
35 may not be acquired, under Title 6.5 of the State Government Article; and

36 (2) the Insurance Commissioner may not approve an application for the
37 acquisition of a nonprofit health service plan subject to the provisions of § 14-115(d)
38 of the Insurance Article, as enacted by Section 1 of this Act.

1 ~~SECTION 5. 8. AND BE IT FURTHER ENACTED, That, on or before~~
 2 ~~February 1, 2004 and annually thereafter, the Insurance Commissioner shall submit~~
 3 ~~an annual report to the Governor and, subject to § 2-1246 of the State Government~~
 4 ~~Article, the Senate Finance Committee and the House Health and Government~~
 5 ~~Operations Committee on the efforts of a corporation subject to § 14-115(d) of the~~
 6 ~~Insurance Article, as enacted by Section 1 of this Act to comply with the provisions of~~
 7 ~~this Act.~~

8 ~~SECTION 6. 9. AND BE IT FURTHER ENACTED, That this Act is an~~
 9 ~~emergency measure, is necessary for the immediate preservation of the public health~~
 10 ~~or safety, has been passed by a ye-a and nay vote supported by three-fifths of all the~~
 11 ~~members elected to each of the two Houses of the General Assembly, and shall take~~
 12 ~~effect from the date it is enacted.~~

13 *Article - Insurance*

14 14-102.

15 (A) THE PURPOSE OF THIS SUBTITLE IS:

16 (1) TO REGULATE THE FORMATION AND OPERATION OF NONPROFIT
 17 HEALTH SERVICE PLANS IN THE STATE; AND

18 (2) TO PROMOTE THE FORMATION AND EXISTENCE OF NONPROFIT
 19 HEALTH SERVICE PLANS IN THE STATE THAT:

20 (I) ARE COMMITTED TO A NONPROFIT CORPORATE STRUCTURE;

21 (II) SEEK TO PROVIDE INDIVIDUALS, BUSINESSES, AND OTHER
 22 GROUPS WITH AFFORDABLE AND ACCESSIBLE HEALTH INSURANCE; AND

23 (III) RECOGNIZE A RESPONSIBILITY TO CONTRIBUTE TO THE
 24 IMPROVEMENT OF THE OVERALL HEALTH STATUS OF MARYLAND RESIDENTS.

25 (B) A NONPROFIT HEALTH SERVICE PLAN THAT COMPLIES WITH THE
 26 PROVISIONS OF THIS SUBTITLE IS DECLARED TO BE A PUBLIC BENEFIT
 27 CORPORATION THAT IS EXEMPT FROM TAXATION AS PROVIDED BY LAW.

28 (C) THE MISSION OF A NONPROFIT HEALTH SERVICE PLAN SHALL BE TO:

29 (1) PROVIDE AFFORDABLE AND ACCESSIBLE HEALTH INSURANCE TO
 30 THE PLAN'S INSURED AND THOSE PERSONS INSURED OR ISSUED HEALTH BENEFIT
 31 PLANS BY AFFILIATES OR SUBSIDIARIES OF THE PLAN;

32 (2) ASSIST AND SUPPORT PUBLIC AND PRIVATE HEALTH CARE
 33 INITIATIVES FOR INDIVIDUALS WITHOUT HEALTH INSURANCE; AND

34 (3) PROMOTE THE INTEGRATION OF A STATEWIDE HEALTH CARE
 35 SYSTEM THAT MEETS THE HEALTH CARE NEEDS OF ALL MARYLAND RESIDENTS.

1 (D) A NONPROFIT HEALTH SERVICE PLAN:

2 (1) SHALL DEVELOP GOALS, OBJECTIVES, AND STRATEGIES FOR
3 CARRYING OUT ITS STATUTORY MISSION;

4 (2) BEGINNING ON DECEMBER 1, 2003, AND CONTINUING THROUGH
5 JUNE 30, 2005, SHALL REPORT QUARTERLY, FOR THE PRECEDING QUARTER, TO THE
6 JOINT NONPROFIT HEALTH SERVICE PLAN OVERSIGHT COMMITTEE ON THE
7 NONPROFIT HEALTH SERVICE PLAN'S COMPLIANCE WITH THE PROVISIONS OF THIS
8 SUBTITLE; AND

9 (3) SHALL PROVIDE TO THE JOINT NONPROFIT HEALTH SERVICE PLAN
10 OVERSIGHT COMMITTEE ANY OTHER INFORMATION NECESSARY FOR THE
11 COMMITTEE TO MEET THE GOALS OUTLINED UNDER § 2-10A-08 OF THE STATE
12 GOVERNMENT ARTICLE.

13 (E) ON OR BEFORE DECEMBER 1, 2005, AND ANNUALLY THEREAFTER, THE
14 COMMISSIONER SHALL REPORT TO THE GOVERNOR AND, IN ACCORDANCE WITH §
15 2-1246 OF THE STATE GOVERNMENT ARTICLE, THE SENATE FINANCE COMMITTEE
16 AND THE HOUSE HEALTH AND GOVERNMENT OPERATIONS COMMITTEE, ON THE
17 COMPLIANCE OF A NONPROFIT HEALTH SERVICE PLAN SUBJECT TO § 14-115(D) OF
18 THIS SUBTITLE WITH THE PROVISIONS OF THIS SUBTITLE.

19 (F) THIS SECTION APPLIES TO:

20 (1) A NONPROFIT HEALTH SERVICE PLAN THAT IS ISSUED A
21 CERTIFICATE OF AUTHORITY IN THE STATE, WHETHER OR NOT ORGANIZED UNDER
22 THE LAWS OF THE STATE; AND

23 (2) AN INSURER OR A HEALTH MAINTENANCE ORGANIZATION,
24 WHETHER OR NOT ORGANIZED AS A NONPROFIT CORPORATION, THAT IS WHOLLY
25 OWNED OR CONTROLLED BY A NONPROFIT HEALTH SERVICE PLAN THAT IS ISSUED A
26 CERTIFICATE OF AUTHORITY IN THE STATE.

27 (G) A corporation without capital stock organized for the purpose of
28 establishing, maintaining, and operating a nonprofit health service plan through
29 which health care providers provide health care services to subscribers to the plan
30 under contracts that entitle each subscriber to certain health care services shall be
31 governed and regulated by:

32 (1) this subtitle;

33 (2) Title 2, Subtitle 2 of this article and §§ 1-206, 3-127, and 12-210 of
34 this article;

35 (3) Title 2, Subtitle 5 of this article;

36 (4) §§ 4-113 and 4-114 of this article;

37 (5) Title 5, Subtitles 1, 2, 3, 4, and 5 of this article;

1 (6) Title 7 of this article, except for § 7-706 and Subtitle 2 of Title 7;

2 (7) Title 9, Subtitles 1, 2, and 4 of this article;

3 (8) Title 10, Subtitle 1 of this article;

4 (9) Title 27 of this article; and

5 (10) any other provision of this article that:

6 (i) is expressly referred to in this subtitle;

7 (ii) expressly refers to this subtitle; or

8 (iii) expressly refers to nonprofit health service plans or persons
9 subject to this subtitle.

10 (H) THE PROVISIONS OF SUBSECTIONS (D) AND (E) OF THIS SECTION AND §§
11 14-106, 14-115(D), (E), (F), AND (G), AND 14-139(D) AND (E) OF THIS SUBTITLE DO NOT
12 APPLY TO A NONPROFIT HEALTH SERVICE PLAN THAT INSURES BETWEEN 1 AND
13 10,000 COVERED LIVES IN MARYLAND OR ISSUES CONTRACTS FOR ONLY ONE OF THE
14 FOLLOWING SERVICES:

15 (1) PODIATRIC;

16 (2) CHIROPRACTIC;

17 (3) PHARMACEUTICAL;

18 (4) DENTAL;

19 (5) PSYCHOLOGICAL; OR

20 (6) OPTOMETRIC.

21 14-106.

22 (a) It is the public policy of this State that the exemption from taxation for
23 nonprofit health service plans under § 6-101(b)(1) of this article is granted so that
24 funds which would otherwise be collected by the State and spent for a public purpose
25 shall be used in a like manner and amount by the nonprofit health service plan.

26 (b) [This section does not apply to a nonprofit health service plan that insures
27 fewer than 10,000 covered lives in Maryland.

28 (c) By March 1 of each year or a deadline otherwise imposed by the
29 Commissioner for good cause, each nonprofit health service plan shall file with the
30 Commissioner a premium tax exemption report that:

31 (1) is in a form approved by the Commissioner; and

1 (2) *demonstrates that the plan has used funds equal to the value of the*
 2 *premium tax exemption provided to the plan under § 6-101(b) of this article, in a*
 3 *manner that serves the public interest in accordance with [subsections (d) and (e) of]*
 4 *this section.*

5 *[(d)] (C) A nonprofit health service plan may satisfy the public service*
 6 *requirement [in subsection (c)(2)] of this section by establishing that, TO THE EXTENT*
 7 *THE VALUE OF THE NONPROFIT HEALTH SERVICE PLAN'S PREMIUM TAX EXEMPTION*
 8 *UNDER § 6-101(B) OF THIS ARTICLE EXCEEDS THE SUBSIDY REQUIRED UNDER THE*
 9 *SENIOR PRESCRIPTION DRUG PROGRAM ESTABLISHED UNDER SUBTITLE 5, PART II*
 10 *OF THIS TITLE, the plan has:*

11 (1) *increased access to, or the affordability of, one or more health care*
 12 *products or services by offering and selling health care products or services that are not*
 13 *required or provided for by law; [or]*

14 (2) PROVIDED FINANCIAL OR IN-KIND SUPPORT FOR PUBLIC HEALTH
 15 PROGRAMS;

16 (3) EMPLOYED UNDERWRITING STANDARDS IN A MANNER THAT
 17 INCREASES THE AVAILABILITY OF ONE OR MORE HEALTH CARE SERVICES OR
 18 PRODUCTS;

19 (4) EMPLOYED PRICING POLICIES THAT ENHANCE THE AFFORDABILITY
 20 OF HEALTH CARE SERVICES OR PRODUCTS AND RESULT IN A HIGHER MEDICAL LOSS
 21 RATIO THAN THAT ESTABLISHED BY A COMPARABLE FOR-PROFIT HEALTH INSURER;
 22 OR

23 [(2)] (5) *served the public interest by any method or practice approved by*
 24 *the Commissioner.*

25 [(e)] (D) [(1)] [A] NOTWITHSTANDING SUBSECTION (C) OF THIS SECTION,
 26 A nonprofit health service plan that is subject to this section and issues comprehensive
 27 health care benefits in the State shall:

28 (1) OFFER HEALTH CARE PRODUCTS IN THE INDIVIDUAL MARKET;

29 (2) OFFER HEALTH CARE PRODUCTS IN THE SMALL EMPLOYER GROUP
 30 MARKET IN ACCORDANCE WITH TITLE 15, SUBTITLE 12 OF THIS ARTICLE; AND

31 (3) administer and subsidize the Senior Prescription Drug Program
 32 established under Title 14, Subtitle 5, Part II of this title.

33 [(2)] (E) *The subsidy required under the Senior Prescription Drug*
 34 *Program may not exceed the value of the nonprofit health service plan's premium tax*
 35 *exemption under § 6-101(b) of this article.*

36 (f) (1) [Each] SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, EACH
 37 report filed with the Commissioner under subsection [(c)] (B) of this section is a public
 38 record.

1 (2) IN ACCORDANCE WITH § 10-617(D) OF THE STATE GOVERNMENT
2 ARTICLE, THE COMMISSIONER SHALL DENY INSPECTION OF ANY PART OF A REPORT
3 FILED UNDER SUBSECTION (B) OF THIS SECTION THAT THE COMMISSIONER
4 DETERMINES CONTAINS CONFIDENTIAL COMMERCIAL INFORMATION OR
5 CONFIDENTIAL FINANCIAL INFORMATION.

6 14-107.

7 (a) By November 1 of each year, the Commissioner shall issue an order
8 notifying each nonprofit health service plan that is required to file a report under §
9 14-106 of this subtitle of whether the plan has satisfied the requirements of § 14-106
10 of this subtitle.

11 (b) ~~[(1)]~~ If the Commissioner determines that a nonprofit health service plan
12 has not satisfied the requirements of § 14-106 of this subtitle, [the nonprofit health
13 service plan shall have 1 year from the date the Commissioner issued the order under
14 subsection (a) of this section to comply with the requirements of § 14-106 of this
15 subtitle.

16 (2) If after the time period provided under paragraph (1) of this
17 subsection the Commissioner determines that a nonprofit health service plan has not
18 satisfied the requirements of § 14-106 of this subtitle:

19 (i) the Commissioner shall report the determination to the House
20 Economic Matters Committee and the Senate Finance Committee, including the
21 reasons for the determination; and

22 (ii) if required by an act of the General Assembly, the nonprofit
23 health service plan shall be subject to THE COMMISSIONER SHALL ISSUE AN ORDER
24 REQUIRING THE NONPROFIT HEALTH SERVICE PLAN TO PAY the premium tax under
25 Title 6, Subtitle 1 of this article:

26 (1) FOR A PERIOD OF TIME BEGINNING WITH THE DATE THE PLAN WAS
27 DETERMINED TO BE OUT OF COMPLIANCE WITH § 14-106 OF THIS SUBTITLE; AND

28 (2) IN AN AMOUNT EQUAL TO THE AMOUNT BY WHICH THE VALUE OF
29 THE NONPROFIT HEALTH SERVICE PLAN'S PREMIUM TAX EXEMPTION UNDER §
30 6-101(B) OF THIS ARTICLE EXCEEDS THE SUM OF:

31 (I) THE SUBSIDY REQUIRED UNDER THE SENIOR PRESCRIPTION
32 DRUG PROGRAM ESTABLISHED UNDER SUBTITLE 5, PART II OF THIS TITLE; AND

33 (II) OTHER FUNDS USED BY THE NONPROFIT HEALTH SERVICE
34 PLAN TO MEET THE PUBLIC SERVICE REQUIREMENT UNDER § 14-106 OF THIS
35 SUBTITLE.

36 (c) A nonprofit health service plan that fails to timely file the report required
37 under § 14-106 of this subtitle shall pay the penalties under § 14-121 of this subtitle.

1 (d) A party aggrieved by an order of the Commissioner issued under this
2 section has a right to a hearing in accordance with §§ 2-210 through 2-215 of this
3 article.

4 (E) PREMIUM TAX REVENUE COLLECTED BY THE ADMINISTRATION AS THE
5 RESULT OF AN ORDER ISSUED UNDER SUBSECTION (B) OF THIS SECTION SHALL BE
6 DEPOSITED INTO THE MARYLAND HEALTH INSURANCE PLAN FUND ESTABLISHED
7 UNDER § 14-504 OF THIS TITLE.

8 14-109.

9 An applicant for a certificate of authority shall:

10 (1) file with the Commissioner an application on the form that the
11 Commissioner provides containing the information that the Commissioner considers
12 necessary;

13 (2) pay to the Commissioner the applicable fee required by § 2-112 of this
14 article; and

15 (3) file with the Commissioner copies of the following documents, certified
16 by at least two of the executive officers of the corporation:

17 (i) articles of incorporation, INCLUDING THE APPLICANT'S
18 CORPORATE MISSION STATEMENT, with all amendments;

19 (ii) bylaws with all amendments;

20 (iii) each contract executed or proposed to be executed by the
21 corporation and a health care provider, embodying the terms under which health care
22 services are to be furnished to subscribers to the plan;

23 (iv) each form of contract issued or proposed to be issued to
24 subscribers to the plan and a table of the rates charged or proposed to be charged to
25 subscribers for each form of contract;

26 (v) a financial statement of the corporation, including the amount of
27 each contribution paid or agreed to be paid to the corporation for working capital, the
28 name of each contributor, and the terms of each contribution;

29 (vi) a list of the names and addresses of and biographical
30 information about the members of the board of directors of the [nonprofit health
31 service plan] CORPORATION; [and]

32 (VII) A LIST OF THE TOTAL COMPENSATION PAID OR PROPOSED TO
33 BE PAID TO EACH OFFICER AND MEMBER OF THE BOARD OF DIRECTORS OF THE
34 CORPORATION;

1 (VIII) A LIST OF THE BEGINNING AND ENDING TERMS OF
 2 MEMBERSHIP FOR EACH MEMBER OF THE BOARD OF DIRECTORS OF THE
 3 CORPORATION; AND

4 [(vii)] (IX) any other information or documents that the Commissioner
 5 considers necessary to ensure compliance with this subtitle.

6 14-110.

7 (A) The Commissioner shall issue a certificate of authority to an applicant if:

8 (1) the applicant has paid the applicable fee required by § 2-112 of this
 9 article; and

10 (2) the Commissioner is satisfied:

11 (i) that the applicant has been organized in good faith for the
 12 purpose of establishing, maintaining, and operating a nonprofit health service plan
 13 THAT:

14 1. IS COMMITTED TO A NONPROFIT CORPORATE
 15 STRUCTURE;

16 2. IN ACCORDANCE WITH THE CHARTER OF THE NONPROFIT
 17 HEALTH SERVICE PLAN, SEEKS TO PROVIDE AFFORDABLE AND ACCESSIBLE HEALTH
 18 INSURANCE; AND

19 3. RECOGNIZES A RESPONSIBILITY TO CONTRIBUTE TO THE
 20 IMPROVEMENT OF THE OVERALL HEALTH STATUS OF MARYLAND RESIDENTS;

21 (ii) that:

22 1. each contract executed or proposed to be executed by the
 23 applicant and a health care provider to furnish health care services to subscribers to
 24 the nonprofit health service plan, obligates or, when executed, will obligate each health
 25 care provider party to the contract to render the health care services to which each
 26 subscriber is entitled under the terms and conditions of the various contracts issued or
 27 proposed to be issued by the applicant to subscribers to the plan; and

28 2. each subscriber is entitled to reimbursement for podiatric,
 29 chiropractic, psychological, or optometric services, regardless of whether the service is
 30 performed by a licensed physician, licensed podiatrist, licensed chiropractor, licensed
 31 psychologist, or licensed optometrist;

32 (iii) that:

33 1. each contract issued or proposed to be issued to subscribers
 34 to the plan is in a form approved by the Commissioner; and

35 2. the rates charged or proposed to be charged for each form of
 36 each contract are fair and reasonable;

1 (iv) that the applicant has a surplus, as defined in § 14-117 of this
 2 subtitle, of the greater of:

3 1. \$100,000; and

4 2. an amount equal to that required under § 14-117 of this
 5 subtitle; and

6 (v) that, except for a nonprofit health service plan that insures
 7 [fewer than] BETWEEN 1 AND 10,000 covered lives in the State, the nonprofit health
 8 service plan's corporate headquarters is located in the State.

9 (B) IF THE COMMISSIONER DETERMINES THAT A NONPROFIT HEALTH
 10 SERVICES PLAN DOES NOT CONTINUE TO SATISFY THE REQUIREMENTS OF THIS
 11 SUBTITLE, THE COMMISSIONER MAY DISAPPROVE THE RENEWAL OF THE
 12 CERTIFICATE OF AUTHORITY OF THE NONPROFIT HEALTH SERVICE PLAN.

13 14-111.

14 [A] SUBJECT TO THE AUTHORITY OF THE COMMISSIONER TO REGULATE
 15 NONPROFIT HEALTH SERVICE PLANS UNDER THIS ARTICLE, A certificate of authority
 16 issued under this subtitle authorizes a corporation to:

17 (1) issue contracts in the form filed with the Commissioner to persons
 18 that become subscribers to the plan;

19 (2) FINANCE CAPITAL IMPROVEMENT PROJECTS THROUGH THE
 20 MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY AS
 21 PROVIDED UNDER ARTICLE 43C OF THE CODE;

22 (3) FINANCE CAPITAL IMPROVEMENT PROJECTS THROUGH THE
 23 MARYLAND ECONOMIC DEVELOPMENT CORPORATION AS PROVIDED UNDER
 24 ARTICLE 83A, TITLE 5, SUBTITLE 2 OF THE CODE; AND

25 (4) PARTNER WITH THE STATE AND OTHER PUBLIC OR PRIVATE
 26 ENTITIES TO PROVIDE SERVICES OR ADMINISTER PROGRAMS INTENDED TO
 27 ADDRESS COMMUNITY HEALTH CARE NEEDS.

28 14-115.

29 (a) (1) In this section the following words have the meanings indicated.

30 (2) "Board" means the board of directors of a nonprofit health service
 31 plan.

32 (3) "Immediate family member" means a spouse, child, child's spouse,
 33 parent, spouse's parent, sibling, or sibling's spouse.

34 (b) [Subsections (c) through (f) of this section apply] THIS SECTION APPLIES
 35 to a nonprofit health service plan that is [incorporated under the laws of the State and
 36 operates under a certificate of authority issued by the Commissioner under this

1 subtitled] ISSUED A CERTIFICATE OF AUTHORITY IN THE STATE, WHETHER OR NOT
2 ORGANIZED UNDER THE LAWS OF THIS STATE.

3 (c) (1) The business and affairs of a nonprofit health service plan shall be
4 managed under the direction of a board of directors.

5 (2) The board and its individual members are fiduciaries and shall act:

6 (i) in good faith;

7 (ii) in a manner that is reasonably believed to be in the best interests
8 of the corporation AND ITS CONTROLLED AFFILIATES OR SUBSIDIARIES THAT OFFER
9 HEALTH BENEFIT PLANS; [and]

10 (III) IN A MANNER THAT IS REASONABLY BELIEVED TO BE IN
11 FURTHERANCE OF THE CORPORATION'S NONPROFIT MISSION; AND

12 [(iii)] (IV) with the care that an ordinarily prudent person in a like
13 position would use under similar circumstances.

14 (3) THE PRINCIPAL FUNCTIONS OF THE BOARD SHALL INCLUDE:

15 (I) ENSURING THAT THE CORPORATION EFFECTIVELY CARRIES
16 OUT THE NONPROFIT MISSION ESTABLISHED UNDER § 14-102(C) OF THIS SUBTITLE;

17 (II) SELECTING CORPORATE MANAGEMENT AND EVALUATING ITS
18 PERFORMANCE;

19 (III) ENSURING TO THE EXTENT PRACTICABLE THAT HUMAN
20 RESOURCES AND OTHER RESOURCES ARE SUFFICIENT TO MEET CORPORATE
21 OBJECTIVES;

22 (IV) SUBJECT TO THE PROVISIONS OF SUBSECTION (D) OF THIS
23 SECTION, NOMINATING AND SELECTING SUITABLE CANDIDATES FOR THE BOARD;
24 AND

25 (V) ESTABLISHING A SYSTEM OF GOVERNANCE AT THE BOARD
26 LEVEL, INCLUDING AN ANNUAL EVALUATION OF BOARD PERFORMANCE.

27 (4) EACH MEMBER OF THE BOARD SHALL DEMONSTRATE A
28 COMMITMENT TO THE MISSION OF THE NONPROFIT HEALTH SERVICE PLAN.

29 [(3)] (5) An officer or employee of a nonprofit health service plan or any
30 of its affiliates or subsidiaries may not be appointed or elected to the board.

31 [(4)] (6) A nonprofit health service plan is subject to the provisions of §
32 2-419 of the Corporations and Associations Article.

33 (d) [(1)] This subsection does not apply to a board of a nonprofit health service
34 plan that issues contracts for only one of the following services:

- 1 (i) podiatric;
- 2 (ii) chiropractic;
- 3 (iii) pharmaceutical;
- 4 (iv) dental;
- 5 (v) psychological; or
- 6 (vi) optometric.
- 7 (1) THIS SUBSECTION APPLIES TO A CORPORATION THAT IS:
- 8 (I) ISSUED A CERTIFICATE OF AUTHORITY AS A NONPROFIT
9 HEALTH SERVICE PLAN; AND
- 10 (II) THE SOLE MEMBER OF A CORPORATION ISSUED A
11 CERTIFICATE OF AUTHORITY AS A NONPROFIT HEALTH SERVICE PLAN.
- 12 (2) THE BOARD SHALL BE COMPOSED OF NO MORE THAN 23 MEMBERS,
13 INCLUDING:
- 14 (I) ONE NONVOTING MEMBER, WHO IS NOT A MEMBER OF THE
15 MARYLAND GENERAL ASSEMBLY, APPOINTED BY AND SERVING AT THE PLEASURE
16 OF THE PRESIDENT OF THE SENATE OF MARYLAND;
- 17 (II) ONE NONVOTING MEMBER, WHO IS NOT A MEMBER OF THE
18 MARYLAND GENERAL ASSEMBLY, APPOINTED BY AND SERVING AT THE PLEASURE
19 OF THE SPEAKER OF THE HOUSE OF DELEGATES; AND
- 20 (III) 21 MEMBERS SELECTED BY THE BOARD, INCLUDING TWO
21 CONSUMER MEMBERS, WHO SATISFY THE REQUIREMENTS OF PARAGRAPHS (13), (14),
22 AND (15) OF THIS SUBSECTION.
- 23 (3) NO MORE THAN FOUR MEMBERS OF THE BOARD MAY BE:
- 24 (I) LICENSED HEALTH CARE PROFESSIONALS;
- 25 (II) HOSPITAL ADMINISTRATORS; OR
- 26 (III) EMPLOYEES OF HEALTH CARE PROFESSIONALS OR HOSPITALS.
- 27 (4) TO THE EXTENT POSSIBLE, THE BOARD SHALL INCLUDE
28 INDIVIDUALS WITH EXPERIENCE IN ACCOUNTING, INFORMATION TECHNOLOGY,
29 FINANCE, LAW, LARGE AND SMALL BUSINESSES, NONPROFIT BUSINESSES, AND
30 ORGANIZED LABOR.
- 31 (5) EXCEPT FOR NONVOTING MEMBERS UNDER PARAGRAPH (2)(I) AND
32 (II) OF THIS SUBSECTION, THE BOARD SHALL BE SELF-PERPETUATING.

1 (6) THE BOARD SHALL HAVE THE FOLLOWING STANDING COMMITTEES
2 WHOSE DUTIES SHALL INCLUDE:

3 (I) AN AUDIT COMMITTEE RESPONSIBLE FOR ENSURING
4 FINANCIAL ACCOUNTABILITY;

5 (II) A FINANCE COMMITTEE RESPONSIBLE FOR REVIEWING AND
6 MAKING RECOMMENDATIONS ON THE ANNUAL BUDGET AND FOR DEVELOPING AND
7 RECOMMENDING LONG-RANGE FINANCIAL OBJECTIVES;

8 (III) A COMPENSATION COMMITTEE RESPONSIBLE FOR
9 DEVELOPING PROPOSED COMPENSATION GUIDELINES IN ACCORDANCE WITH §
10 14-139(D) OF THIS SUBTITLE;

11 (IV) A NOMINATING COMMITTEE RESPONSIBLE FOR IDENTIFYING,
12 EVALUATING, AND RECOMMENDING TO THE BOARD INDIVIDUALS QUALIFIED TO
13 BECOME BOARD MEMBER, INCLUDING INDIVIDUALS WHO REPRESENT A
14 CORPORATION FOR WHICH THE NONPROFIT HEALTH SERVICE PLAN IS THE SOLE
15 MEMBER;

16 (V) A SERVICE AND QUALITY OVERSIGHT COMMITTEE
17 RESPONSIBLE FOR ENSURING THAT POLICIES AND PROCESSES ARE IN EFFECT TO
18 ASSESS AND IMPROVE THE QUALITY OF HEALTH INSURANCE PRODUCTS PROVIDED
19 TO SUBSCRIBERS AND CERTIFICATE HOLDERS;

20 (VI) A MISSION OVERSIGHT COMMITTEE RESPONSIBLE FOR
21 ENSURING THAT THE OFFICERS OF THE CORPORATION ACT IN ACCORDANCE WITH
22 THE MISSION OF THE NONPROFIT HEALTH SERVICE PLAN;

23 (VII) A STRATEGIC PLANNING COMMITTEE RESPONSIBLE FOR
24 EXAMINING LONG-RANGE PLANNING OBJECTIVES, ASSESSING STRATEGIES THAT
25 MAY BE USED TO IMPLEMENT THE PLANNING OBJECTIVES, AND ANALYZING THE
26 NONPROFIT HEALTH SERVICE PLAN'S ROLE IN THE INSURANCE MARKETPLACE; AND

27 (VIII) ANY OTHER COMMITTEE THAT THE BOARD DETERMINES IS
28 NECESSARY TO CARRY OUT ITS DUTIES.

29 (7) EACH STANDING COMMITTEE SHALL HAVE REPRESENTATION FROM:

30 (I) THE VOTING MEMBERS UNDER PARAGRAPH (2) OF THIS
31 SUBSECTION; AND

32 (II) EACH CORPORATION FOR WHICH THE NONPROFIT HEALTH
33 SERVICE PLAN IS THE SOLE MEMBER.

34 (8) THE COMPENSATION COMMITTEE AND THE NOMINATING
35 COMMITTEE SHALL EACH INCLUDE EITHER THE APPOINTEE OF THE PRESIDENT OF
36 THE SENATE OR THE APPOINTEE OF THE SPEAKER OF THE HOUSE OF DELEGATES.

1 (9) EACH BOARD MEMBER SHALL SERVE ON AT LEAST ONE STANDING
2 COMMITTEE.

3 (10) THE CHAIRMAN OF THE BOARD SHALL SELECT A CHAIRMAN FOR
4 EACH BOARD COMMITTEE.

5 (11) (I) BOARD APPROVAL IS REQUIRED FOR ANY ACTION BY THE
6 NONPROFIT HEALTH SERVICE PLAN, A CORPORATION FOR WHICH THE PLAN IS THE
7 SOLE MEMBER, OR ANY AFFILIATE OR SUBSIDIARY OF THE NONPROFIT HEALTH
8 SERVICE PLAN TO:

9 1. MODIFY BENEFIT LEVELS;

10 2. MATERIALLY MODIFY PROVIDER NETWORKS OR
11 PROVIDER REIMBURSEMENT;

12 3. MODIFY UNDERWRITING GUIDELINES;

13 4. MODIFY RATES OR RATING PLANS;

14 5. WITHDRAW A PRODUCT OR WITHDRAW FROM A LINE OR
15 TYPE OF BUSINESS OR GEOGRAPHIC REGION; OR

16 6. IMPACT THE AVAILABILITY OR AFFORDABILITY OF
17 HEALTH CARE IN THE STATE.

18 (II) A DECISION BY THE BOARD TO CONVERT TO A FOR PROFIT
19 ENTITY UNDER TITLE 6.5 OF THE STATE GOVERNMENT ARTICLE MAY BE REJECTED
20 BY ANY THREE MEMBERS OF THE BOARD.

21 (III) THE BOARD MAY DELEGATE APPROVAL FOR THE ACTIONS
22 LISTED IN SUBPARAGRAPH (I) OF THIS PARAGRAPH TO A STANDING COMMITTEE OF
23 THE BOARD.

24 (12) THE BOARD SHALL TAKE AND RETAIN COMPLETE MINUTES OF ALL
25 BOARD AND COMMITTEE MEETINGS.

26 [(2)] The board shall appoint two additional members to serve as voting
27 consumer members.

28 (3)] (13) Of the two consumer members, one shall be a subscriber and one
29 shall be a certificate holder of the nonprofit health service plan.

30 [(4)] (14) Each consumer member of the board:

31 (i) shall be a member of the general public;

32 (ii) may not be considered an agent or employee of the State for any
33 purpose; and

- 1 (iii) is entitled to the same rights, powers, and privileges as the other
 2 members of the board.
- 3 [(5)] (15) A consumer member of the board may not:
- 4 (i) be a licensee of or otherwise be subject to regulation by the
 5 Commissioner;
- 6 (ii) be employed by or have a financial interest in:
- 7 1. a nonprofit health service plan or its affiliates or
 8 subsidiaries; or
- 9 2. a person regulated under this article or the Health -
 10 General Article; or
- 11 (iii) within [1 year] 3 YEARS before appointment, have been
 12 employed by, had a financial interest in, or have received compensation from:
- 13 1. a nonprofit health service plan or its affiliates or
 14 subsidiaries; or
- 15 2. a person regulated under this article or the Health -
 16 General Article.
- 17 (e) (1) This subsection does not apply to a board that has fewer than three
 18 authorized members.
- 19 (2) The term of a member is 3 years.
- 20 (3) The terms of the members of a board shall be staggered over a 3-year
 21 period as required by the terms provided for members of the board in the bylaws filed
 22 and approved by the Commissioner on or after June 1, [1993] 2003.
- 23 (4) At the end of a term, a member continues to serve until a successor is
 24 appointed and qualifies.
- 25 (5) A member who is appointed after a term has begun serves only for the
 26 rest of the term and until a successor is appointed and qualifies.
- 27 (6) A member may not serve for more than:
- 28 (i) [three] TWO full terms; or
- 29 (ii) a total of more than [9] 6 years.
- 30 (7) A person may not be a member of the board if the person:
- 31 (i) has defaulted on the payment of a monetary obligation to the
 32 nonprofit health service plan;

1 (ii) has been convicted of a criminal offense involving dishonesty or
2 breach of trust or a felony; [or]

3 (iii) habitually has neglected to pay debts; OR

4 (IV) HAS BEEN PROHIBITED UNDER ANY FEDERAL SECURITIES LAW
5 FROM ACTING AS A DIRECTOR OR OFFICER OF ANY CORPORATION.

6 (8) A member shall meet any other qualifications set forth in the bylaws
7 of the nonprofit health service plan.

8 (9) A member may not be an immediate family member of another board
9 member or an officer or employee of the nonprofit health service plan.

10 (10) The board shall elect a chairman from among its members.

11 (11) (I) The [membership] COMPOSITION of the board shall represent
12 the [different] RACIAL AND GENDER [geographic regions] DIVERSITY of the State.

13 (II) THE BOARD SHALL INCLUDE REPRESENTATION FROM EACH
14 GEOGRAPHIC REGION OF THE STATE.

15 (f) The board shall notify the Commissioner of any member who attends less
16 than 65% of the meetings of the board during a period of 12 consecutive months.

17 (G) (1) EXCLUDING REIMBURSEMENT FOR ORDINARY AND NECESSARY
18 EXPENSES, A BOARD MEMBER, IN ANY CALENDAR YEAR, MAY RECEIVE
19 COMPENSATION NOT TO EXCEED:

20 (I) \$15,000 FOR THE CHAIRMAN OF THE BOARD OR A BOARD
21 MEMBER WHO IS THE CHAIRMAN OF A COMMITTEE; OR

22 (II) \$12,000 FOR A BOARD MEMBER WHO IS NOT THE CHAIRMAN OF
23 THE BOARD OR A BOARD COMMITTEE.

24 (2) A BOARD MEMBER MAY NOT RECEIVE MORE THAN THE AMOUNT
25 SPECIFIED IN PARAGRAPH (1) OF THIS SUBSECTION FOR SERVING ON MORE THAN
26 ONE BOARD OF A CORPORATION SUBJECT TO THIS SECTION.

27 (3) (I) THIS PARAGRAPH APPLIES TO A CORPORATION THAT IS:

28 1. ISSUED A CERTIFICATE OF AUTHORITY AS A NONPROFIT
29 HEALTH SERVICE PLAN; AND

30 2. THE SOLE MEMBER OF A CORPORATION ISSUED A
31 CERTIFICATE OF AUTHORITY AS A NONPROFIT HEALTH SERVICE PLAN.

32 (II) ON OR BEFORE MARCH 1, 2004, AND ANNUALLY THEREAFTER, A
33 CORPORATION SUBJECT TO THIS PARAGRAPH SHALL REPORT TO THE
34 COMMISSIONER ON THE AMOUNT OF THE ORDINARY AND NECESSARY EXPENSES
35 PAID TO EACH BOARD MEMBER IN THE PRECEDING CALENDAR YEAR.

1 [(g) (1) This subsection does not apply to a board of a nonprofit health service
2 plan that has a premium income for the preceding year of less than \$30,000,000.

3 (2) No more than 25% of a board may be:

4 (i) licensed health care professionals;

5 (ii) hospital administrators; and

6 (iii) employees of health care professionals or hospitals.

7 (3) The Commissioner may adopt regulations that limit the
8 representation of licensed health care professionals, hospital administrators, and
9 employees of health care professionals or hospitals on a subcommittee of the board in
10 accordance with paragraph (2) of this subsection.]

11 14-116.

12 (a) (1) In this section, "unsound or unsafe business practice" means a
13 business practice that:

14 (i) is detrimental to the financial condition of a nonprofit health
15 service plan and does not conform to sound industry practice; [or]

16 (ii) impairs the ability of a nonprofit health service plan to pay
17 subscriber benefits; OR

18 (III) VIOLATES § 14-102, § 14-115, OR § 14-139(C) OF THIS SUBTITLE.

19 (2) "Unsound or unsafe business practice" includes:

20 (i) failing to comply with the notice requirements of § 14-119 of this
21 subtitle;

22 (ii) willfully hindering an examination of a nonprofit health service
23 plan or its affiliates or subsidiaries; and

24 (iii) failure of a director to attend at least 65% of the meetings of the
25 board during a period of 12 consecutive months.

26 (b) (1) If the Commissioner believes that an officer or director of a nonprofit
27 health service plan has engaged in an unsound or unsafe business practice, the
28 Commissioner shall send a warning to that individual.

29 (2) The Commissioner shall send a copy of the warning:

30 (i) by certified mail, return receipt requested, bearing a postmark
31 from the United States Postal Service, to each director of the nonprofit health service
32 plan; and

1 (ii) if the nonprofit health service plan is a corporation incorporated
2 in a state other than this State, to the insurance commissioner of the state in which the
3 corporation is incorporated.

4 (c) (1) If the nonprofit health service plan is incorporated in this State, the
5 Commissioner may remove the officer or director if the Commissioner determines after
6 a hearing that the unsound or unsafe business practice continued after the warning.

7 (2) A copy of the removal order shall be served on the individual removed
8 and each director of the nonprofit health service plan.

9 (3) The individual removed is entitled to a hearing under Title 2 of this
10 article.

11 (4) Any person aggrieved by a final decision of the Commissioner under
12 this section may appeal the decision under § 2-215 of this article.

13 (F) (1) IF THE ATTORNEY GENERAL HAS REASON TO BELIEVE THAT A
14 NONPROFIT HEALTH SERVICE PLAN IS ENGAGING IN AN UNSOUND OR UNSAFE
15 BUSINESS PRACTICE, THE ATTORNEY GENERAL SHALL NOTIFY THE COMMISSIONER.

16 (2) IF THE COMMISSIONER FAILS TO TAKE ACTION UNDER THIS
17 SECTION WITHIN 60 DAYS AFTER NOTIFICATION BY THE ATTORNEY GENERAL, THE
18 ATTORNEY GENERAL MAY:

19 (I) INVESTIGATE THE UNSOUND OR UNSAFE BUSINESS PRACTICE;
20 AND

21 (II) INITIATE AN ACTION IN CIRCUIT COURT FOR APPROPRIATE
22 RELIEF TO REMEDY THE UNSOUND OR UNSAFE BUSINESS PRACTICE, INCLUDING
23 THE REMOVAL OF AN OFFICER OR DIRECTOR OF THE NONPROFIT HEALTH SERVICE
24 PLAN.

25 (3) IN THE COURSE OF ANY INVESTIGATION CONDUCTED BY THE
26 ATTORNEY GENERAL, THE ATTORNEY GENERAL MAY:

27 (I) SUBPOENA WITNESSES;

28 (II) ADMINISTER OATHS;

29 (III) EXAMINE AN INDIVIDUAL UNDER OATH;

30 (IV) COMPEL PRODUCTION OF RECORDS, BOOKS, PAPERS,
31 CONTRACTS, AND OTHER DOCUMENTS; AND

32 (V) OBTAIN ALL NECESSARY ASSISTANCE FROM THE
33 ADMINISTRATION.

1 14-126.

2 (a) (1) A corporation subject to this subtitle may not amend its certificate of
3 incorporation, bylaws, or the terms and provisions of contracts issued or proposed to be
4 issued to subscribers to the plan until the proposed amendments have been submitted
5 to and approved by the Commissioner and the applicable fees required by § 2-112 of
6 this article have been paid.

7 (2) A corporation subject to this subtitle may not change the table of rates
8 charged or proposed to be charged to subscribers for a form of contract issued or to be
9 issued for health care services until the proposed change has been submitted to and
10 approved by the Commissioner.

11 (3) THE COMMISSIONER SHALL APPROVE AN AMENDMENT TO THE
12 ARTICLES OF INCORPORATION OR BYLAWS UNDER PARAGRAPH (1) OF THIS
13 SUBSECTION UNLESS THE COMMISSIONER DETERMINES THE AMENDMENT IS
14 CONTRARY TO THE PUBLIC INTEREST.

15 14-133.

16 (c) (1) A nonprofit health service plan shall submit a statement of proposed
17 action to the Commissioner before the plan may:

18 (i) create, acquire, or invest in an affiliate or subsidiary in order to
19 control the affiliate or subsidiary;

20 (ii) alter the structure, organization, purpose, or ownership of the
21 plan or an affiliate or subsidiary of the corporation;

22 (iii) make an investment exceeding \$500,000; or

23 (iv) make an investment in an affiliate or subsidiary.

24 (2) The nonprofit health service plan shall file the statement of proposed
25 action required under this subsection at least 60 days before the effective date of the
26 proposed action.

27 (3) The nonprofit health service plan may not engage in a proposed action
28 described under paragraph (1)(i) through (iii) of this subsection unless the
29 Commissioner approves the action in writing.

30 (4) The Commissioner shall either approve or disapprove the proposed
31 action within 60 days after the Commissioner receives the statement of proposed
32 action.

33 (5) THE COMMISSIONER SHALL APPROVE A STATEMENT OF PROPOSED
34 ACTION UNDER THIS SECTION UNLESS THE COMMISSIONER DETERMINES THE
35 PROPOSED ACTION IS CONTRARY TO THE PUBLIC INTEREST.

1 14-139.

2 (a) An officer, director, or employee of a corporation operating under this
3 subtitle may not:

4 (1) willfully violate a provision of this article or a regulation adopted
5 under this article;

6 (2) willfully misrepresent or conceal a material fact in a statement,
7 report, record, or communication submitted to the Commissioner;

8 (3) willfully misrepresent a material fact to the board of directors;

9 (4) misappropriate or fail to account properly for money that belongs to
10 the corporation, an insurer, insurance producer, subscriber, or certificate holder;

11 (5) engage in fraudulent or dishonest practices in connection with the
12 provision or administration of a health service plan;

13 (6) willfully fail to produce records or allow an examination under §
14 14-125 of this subtitle; or

15 (7) willfully fail to comply with a lawful order of the Commissioner.

16 (b) An officer, director, or trustee of a corporation operating under this subtitle
17 may not receive any immediate or future remuneration as the result of an acquisition
18 or proposed acquisition, as defined under § 6.5-101 of the State Government Article,
19 except in the form of compensation paid for continued employment with the company
20 or acquiring entity.

21 (C) A DIRECTOR, TRUSTEE, OFFICER, EXECUTIVE, OR EMPLOYEE OF A
22 CORPORATION OPERATING UNDER THIS SUBTITLE MAY ONLY APPROVE OR RECEIVE
23 FROM THE ASSETS OF THE CORPORATION FAIR AND REASONABLE COMPENSATION
24 IN THE FORM OF SALARY, BONUSES, OR PERQUISITES FOR WORK ACTUALLY
25 PERFORMED FOR THE BENEFIT OF THE CORPORATION.

26 (D) (1) THE COMPENSATION COMMITTEE OF THE BOARD SHALL:

27 (I) IDENTIFY NONPROFIT HEALTH SERVICE PLANS IN THE UNITED
28 STATES THAT ARE SIMILAR IN SIZE AND SCOPE TO THE NONPROFIT HEALTH
29 SERVICE PLAN MANAGED BY THE BOARD; AND

30 (II) DEVELOP PROPOSED GUIDELINES, FOR APPROVAL BY THE
31 BOARD, FOR COMPENSATION, INCLUDING SALARY, BONUSES, AND PERQUISITES, OF
32 ALL OFFICERS AND EXECUTIVES THAT IS REASONABLE IN COMPARISON TO
33 COMPENSATION FOR OFFICERS AND EXECUTIVES OF SIMILAR NONPROFIT HEALTH
34 SERVICE PLANS.

1 (2) ON OR BEFORE JUNE 1, 2004, THE BOARD SHALL SUBMIT THE
2 PROPOSED GUIDELINES DEVELOPED UNDER PARAGRAPH (1)(II) OF THIS
3 SUBSECTION TO THE COMMISSIONER FOR REVIEW AND APPROVAL.

4 (3) (1) THE COMMISSIONER SHALL REVIEW THE PROPOSED
5 GUIDELINES AND, WITHIN 60 DAYS, APPROVE OR DISAPPROVE THE PROPOSED
6 GUIDELINES.

7 (II) FAILURE OF THE COMMISSIONER TO ACT ON THE PROPOSED
8 GUIDELINES WITHIN 60 DAYS SHALL CONSTITUTE APPROVAL.

9 (4) IF THE COMMISSIONER DISAPPROVES THE PROPOSED GUIDELINES,
10 THE BOARD SHALL REVISE AND SUBMIT NEW PROPOSED GUIDELINES THAT MEET
11 THE COMMISSIONER'S APPROVAL.

12 (5) THE BOARD SHALL REVIEW THE PROPOSED GUIDELINES AT LEAST
13 ANNUALLY AND, IF THE BOARD FINDS THAT CHANGES ARE NEEDED, THE BOARD
14 SHALL SUBMIT THE CHANGES TO THE COMMISSIONER IN ACCORDANCE WITH
15 PARAGRAPHS (1) THROUGH (3) OF THIS SUBSECTION.

16 (6) THE BOARD SHALL:

17 (1) PROVIDE A COPY OF THE APPROVED GUIDELINES:

18 1. TO EACH OFFICER AND EXECUTIVE OF THE NONPROFIT
19 HEALTH SERVICE PLAN; AND

20 2. TO EACH CANDIDATE FOR AN OFFICER OR EXECUTIVE
21 POSITION WITH THE NONPROFIT HEALTH SERVICE PLAN; AND

22 (II) ADHERE TO THE APPROVED GUIDELINES IN COMPENSATING
23 THE OFFICERS AND EXECUTIVES OF THE NONPROFIT HEALTH SERVICE PLAN.

24 (7) ON AN ANNUAL BASIS, THE COMMISSIONER SHALL REVIEW THE
25 COMPENSATION PAID BY THE NONPROFIT HEALTH SERVICE PLAN TO EACH OFFICER
26 AND EXECUTIVE.

27 (8) IF THE COMMISSIONER FINDS THAT THE COMPENSATION EXCEEDS
28 THE AMOUNT AUTHORIZED UNDER THE APPROVED GUIDELINES, THE
29 COMMISSIONER SHALL ISSUE AN ORDER PROHIBITING PAYMENT OF THE EXCESS
30 AMOUNT.

31 (E) THE APPROVAL OR RECEIPT OF REMUNERATION IN VIOLATION OF AN
32 ORDER ISSUED UNDER SUBSECTION (D)(8) OF THIS SECTION IS A VIOLATION OF §
33 14-115(C) OF THIS SUBTITLE AND SHALL BE CONSIDERED AN UNSOUND OR UNSAFE
34 BUSINESS PRACTICE UNDER § 14-116 OF THIS SUBTITLE.

35 [(c)] (F) (1) EXCEPT FOR AN EMPLOYEE UNDER SUBSECTION (C) OF THIS
36 SECTION, A person that violates subsection (a) OR (C) of this section is subject to a civil
37 penalty not exceeding [\$5,000] \$10,000 for each violation.

1 (2) Instead of or in addition to imposing a civil penalty, the
2 Commissioner may require the violator to make restitution to any person that has
3 suffered financial injury as a result of the violation.

4 ~~[(d)]~~ (G) In determining the amount of financial penalty to be imposed, the
5 Commissioner shall consider:

6 (1) the seriousness of the violation;

7 (2) the good faith of the violator;

8 (3) the violator's history of previous violations;

9 (4) the deleterious effect of the violation on the public and the nonprofit
10 health service industry; and

11 (5) the assets of the violator.

12 ~~[(e)]~~ (H) (1) Before assessing a civil penalty OR RESTITUTION, the
13 Commissioner shall serve by certified mail, return receipt requested, on the person to
14 be charged a notice that contains:

15 (i) the specifications of the charge; and

16 (ii) the time and place of a hearing to be held on the charges.

17 (2) The Commissioner shall hold a hearing on the charges at least 20
18 days after the date of mailing the notice.

19 (3) The Commissioner or designee of the Commissioner shall conduct a
20 hearing on the charges in accordance with Title 2, Subtitle 2 of this article.

21 (4) Subject to Title 2, Subtitle 2 of this article, an appeal may be taken
22 from a final order of the Commissioner to the Circuit Court for Baltimore City.

23 ~~[(f)]~~ (I) In addition to any other penalty or remedy under this section, a person
24 that is found to have gained financially from a violation of a provision of this article or
25 a regulation adopted by the Commissioner shall forfeit the gain.

26 ~~[(g)]~~ (J) This section does not prevent a person damaged by a director, officer,
27 manager, employee, or agent of a corporation subject to this subtitle from bringing a
28 separate action in a court of competent jurisdiction.

29 14-504.

30 (a) (1) There is a Maryland Health Insurance Plan Fund.

31 (2) The Fund is a special nonlapsing fund that is not subject to § 7-302 of
32 the State Finance and Procurement Article.

Article - State Government

2 2-10A-08.

3 (A) THERE IS A JOINT NONPROFIT HEALTH SERVICE PLAN OVERSIGHT
4 COMMITTEE.

5 (B) (1) THE COMMITTEE CONSISTS OF 17 MEMBERS.

6 (2) OF THE 17 MEMBERS:

7 (I) 1. TWO SHALL BE MEMBERS OF THE SENATE APPOINTED BY
8 THE PRESIDENT OF THE SENATE; AND

9 2. TWO SHALL BE MEMBERS OF THE HOUSE OF DELEGATES
10 APPOINTED BY THE SPEAKER OF THE HOUSE; AND

11 (II) 13 SHALL BE APPOINTED JOINTLY BY THE PRESIDENT OF THE
12 SENATE AND THE SPEAKER OF THE HOUSE OF DELEGATES AS FOLLOWS:

13 1. ONE SHALL BE THE OWNER OF A BUSINESS DOMICILED IN
14 THE STATE THAT EMPLOYS MORE THAN 50 PEOPLE;

15 2. ONE SHALL BE THE OWNER OF A BUSINESS DOMICILED IN
16 THE STATE THAT EMPLOYS TWO TO 50 PEOPLE;

17 3. ONE SHALL REPRESENT A MARYLAND LABOR
18 ORGANIZATION;

19 4. ONE SHALL HAVE EXPERIENCE IN THE ADMINISTRATION
20 AND OPERATION OF A NONPROFIT BUSINESS DOMICILED IN THE STATE;

21 5. ONE SHALL REPRESENT THE STATE EMPLOYEE HEALTH
22 BENEFIT PLAN;

23 6. ONE SHALL REPRESENT A NONPROFIT HEALTH CARE
24 ADVOCACY ASSOCIATION ORGANIZED IN THE STATE;

25 7. ONE SHALL REPRESENT THE MEDICAL AND CHIRURGICAL
26 FACULTY OF MARYLAND;

27 8. ONE SHALL REPRESENT THE MARYLAND HOSPITAL
28 ASSOCIATION;

29 9. ONE SHALL REPRESENT THE MIDATLANTIC ASSOCIATION
30 OF COMMUNITY HEALTH CENTERS;

31 10. ONE SHALL BE A THIRD PARTY ADMINISTRATOR;

32 11. ONE SHALL BE AN INSURANCE PRODUCER; AND

1 (9) CONTINUE SUBSIDIZATION OF THE SENIOR PRESCRIPTION DRUG
2 PROGRAM ESTABLISHED UNDER TITLE 14, SUBTITLE 5, PART II OF THE INSURANCE
3 ARTICLE.

4 (G) (1) IN ACCORDANCE WITH § 2-1246 OF THIS TITLE, THE COMMITTEE
5 SHALL SUBMIT AN ANNUAL REPORT TO THE GENERAL ASSEMBLY ON OR BEFORE
6 DECEMBER 1 OF EACH YEAR.

7 (2) THE REPORT SHALL INCLUDE THE FINDINGS AND
8 RECOMMENDATIONS OF THE COMMITTEE WITH REGARD TO THE EXAMINATION AND
9 EVALUATION CARRIED OUT UNDER SUBSECTION (F) OF THIS SECTION.

10 SECTION 3. AND BE IT FURTHER ENACTED, That, pursuant to § 6.5-203(h)
11 of the State Government Article, as enacted by Section 1 of this Act, the General
12 Assembly ratifies the determination of the Maryland Insurance Commissioner and
13 finds that the conversion of CareFirst to a for profit entity is not in the public interest,
14 and declares that it is in the interest of all Marylanders to protect and preserve
15 CareFirst in its nonprofit form.

16 SECTION 4. AND BE IT FURTHER ENACTED, That:

17 (a) Notwithstanding the provisions of § 14-115(d)(2) and (4) of the Insurance
18 Article, as enacted by Section 1 of this Act, ten board members representing a
19 corporation that is organized under the laws of the State and that is subject to the
20 provisions of § 14-115(d) of the Insurance Article, as enacted by Section 1 of this Act,
21 shall be removed from the board of directors and replaced as early as practicable, but
22 no later than December 1, 2003, as provided in subsection (b) of this section.

23 (b) (1) The ten members removed under subsection (a) of this section shall be
24 replaced by a nominating committee appointed by the Governor, President of the
25 Senate of Maryland, and Speaker of the House of Delegates.

26 (2) The nominating committee shall be appointed on or before June 1,
27 2003, and shall consist of nine members, of whom:

28 (i) three, including one consumer member and no more than one
29 health care provider, are appointed by the Governor;

30 (ii) three, including one consumer member and no more than one
31 health care provider, are appointed by the President of the Senate; and

32 (iii) three, including one consumer member and no more than one
33 health care provider, are appointed by the Speaker of the House.

34 (3) An individual shall be appointed to the board under paragraph (1) of
35 this subsection with the approval of a simple majority of the nominating committee.

36 (4) The individuals appointed under paragraph (3) of this subsection:

37 (i) shall include two consumer members;

1 (ii) to the extent practicable, shall meet the requirements of §
2 14-115(e)(11) of the Insurance Article, as enacted by Section 1 of this Act; and

3 (iii) to the extent practicable, shall have experience in accounting,
4 information technology, finance, law, large and small businesses, nonprofit businesses,
5 and organized labor.

6 (5) The nominating committee shall determine the order of replacement of
7 members removed from the board of directors under subsection (a) of this section.

8 (c) A member of the nominating committee may not be a candidate for
9 membership on the board.

10 (d) This section does not apply to those members who serve on the board of
11 directors of a corporation that is subject to the provisions of § 14-115(d) of the
12 Insurance Article, as enacted by Section 1 of this Act, who represent a corporation that
13 is not organized under the laws of the State.

14 SECTION 5. AND BE IT FURTHER ENACTED, That:

15 (a) Two board members representing a corporation that is organized under the
16 laws of the State and that is subject to the provisions of § 14-115(d) of the Insurance
17 Article, as enacted by Section 1 of this Act, shall be removed from the board of directors
18 and replaced, on or before June 1, 2004, by a nominating committee established under
19 § 14-115(d)(6)(iv) of the Insurance Article, as enacted by Section 1 of this Act.

20 (b) The board members who serve on the board of a corporation subject to the
21 provisions of § 14-115(d) of the Insurance Article, as enacted by Section 1 of this Act,
22 and who represent a corporation that is not organized under the laws of the State shall
23 be removed and replaced on or before March 31, 2006.

24 SECTION 6. AND BE IT FURTHER ENACTED, That, subject to the approval of
25 the Maryland Insurance Commissioner, a nominating committee established under §
26 14-115(d)(6)(iv) of the Insurance Article, as enacted by Section 1 of this Act, shall
27 develop a plan to stagger the terms of the voting members of a board of a corporation
28 subject to § 14-115(d) of the Insurance Article, as enacted by this Act.

29 SECTION 7. AND BE IT FURTHER ENACTED, That, for a period of 5 years
30 after the effective date of this Act:

31 (1) a person may not file an application for the acquisition of a nonprofit
32 health service plan subject to the provisions of § 14-115(d) of the Insurance Article, as
33 enacted by Section 1 of this Act, and a nonprofit health service plan subject to the
34 provisions of § 14-115(d) of the Insurance Article, as enacted by Section 1 of this Act,
35 may not be acquired, under Title 6.5 of the State Government Article; and

36 (2) the Maryland Insurance Commissioner may not approve an
37 application for the acquisition of a nonprofit health service plan subject to the
38 provisions of § 14-115(d) of the Insurance Article, as enacted by Section 1 of this Act.

1 SECTION 8. AND BE IT FURTHER ENACTED, That:

2 (a) The provisions of § 14-139(c) of the Insurance Article, as enacted by Section
3 1 of this Act, shall apply to a compensation agreement that is in effect on the effective
4 date of this Act and entered into or revised on or after January 20, 1995 (the date on
5 which the Maryland Insurance Commissioner disapproved a plan of reorganization
6 from Blue Cross and Blue Shield of Maryland, Inc. that would have created a new for
7 profit holding company), including an agreement for termination, severance,
8 performance bonuses, or supplemental executive retirement benefits, between a
9 corporation organized under the laws of this State and subject to § 14-115(d) of the
10 Insurance Article, as enacted by Section 1 of this Act, and an officer, director, trustee,
11 or employee of the corporation.

12 (b) In applying the provisions of § 14-139(c) of the Insurance Article, as
13 enacted by Section 1 of this Act, to a compensation agreement under subsection (a) of
14 this section, the Maryland Insurance Commissioner shall only examine any increase in
15 compensation that occurred after January 20, 1995.

16 SECTION 9. AND BE IT FURTHER ENACTED, That a member of the board of
17 directors of a corporation organized under the laws of this State and subject to §
18 14-115(d) of the Insurance Article, as enacted by Section 1 of this Act, who is a member
19 of the board of directors on the effective date of this Act is prohibited from serving on
20 the board of directors of the corporation after removal from the board under the
21 provisions of Sections 4 and 5 of this Act.

22 SECTION 10. AND BE IT FURTHER ENACTED, That it is the intent of the
23 General Assembly to encourage a nonprofit health service plan that is subject to §
24 14-115(d) of the Insurance Article, as enacted by Section 1 of this Act, to participate in
25 public programs, such as Medicaid and Medicare, when participation is consistent
26 with the mission of the nonprofit health service plan and does not impair the financial
27 condition of the nonprofit health service plan.

28 SECTION 11. AND BE IT FURTHER ENACTED, That a nonprofit health
29 service plan that is subject to § 14-115(d) of the Insurance Article, as enacted by
30 Section 1 of this Act:

31 (1) shall work with the Maryland Insurance Administration, the
32 Department of Aging, and other appropriate entities to study, and if feasible and
33 desirable develop, a State arrangement to offer health insurance coverage to
34 individuals who are eligible for the federal tax credit under § 35 of the Internal
35 Revenue Code; and

36 (2) on or before August 1, 2003, in accordance with § 2-1246 of the State
37 Government Article, shall report to the Senate Finance Committee and the House
38 Health and Government Operations Committee on the results of its study.

39 SECTION 12. AND BE IT FURTHER ENACTED, That:

40 (a) The Maryland Insurance Commissioner shall:

1 (1) determine whether any conduct identified in MIA No: 2003-02-032
2 violates the provisions of § 14-116 or § 14-139 of the Insurance Article, as in effect
3 before the effective date of this Act, or any other provision of the Insurance Article not
4 identified in MIA No: 2003-02-032;

5 (2) take any action deemed appropriate in light of the determinations
6 made, if any, under item (1) of this subsection;

7 (3) report, on or before July 1, 2003, on the determinations made, if any,
8 under item (1) of this subsection to:

9 (i) the board of directors of a nonprofit health service plan subject
10 to the provisions of § 14-115(d) of the Insurance Article, as enacted by Section 1 of this
11 Act; and

12 (ii) the Governor, and in accordance with § 2-1246 of the State
13 Government Article, the General Assembly; and

14 (4) make recommendations regarding whether any changes to Maryland
15 law need to be made to ensure that the regulatory oversight of nonprofit health service
16 plans subject to Title 14 of the Insurance Article is sufficient to protect the public
17 interest, and report those recommendations, on or before July 1, 2003, to:

18 (i) the Governor;

19 (ii) in accordance with § 2-1246 of the State Government Article, the
20 General Assembly; and

21 (iii) the Office of the Attorney General.

22 (b) The Office of the Attorney General shall:

23 (1) determine whether any conduct identified in MIA No: 2003-02-032
24 violates any provision of federal or State civil, criminal, or administrative law, other
25 than those provisions reviewed by the Maryland Insurance Commissioner under
26 subsection (a)(1) of this section; and

27 (2) report, on or before September 1, 2003, to the Governor, and in
28 accordance with § 2-1246 of the State Government Article, the General Assembly on
29 the determinations made, if any, under item (1) of this subsection, and on any changes
30 to State law that need to be made to ensure that the public interest is protected.

31 **SECTION 13. AND BE IT FURTHER ENACTED, That, if any provision of this**
32 **Act or the application thereof to any person or circumstance is held invalid for any**
33 **reason in a court of competent jurisdiction, the invalidity does not affect other**
34 **provisions or any other application of this Act which can be given effect without the**
35 **invalid provision or application, and for this purpose the provisions of this Act are**
36 **declared severable.**

1 SECTION 14. AND BE IT FURTHER ENACTED, That Section 2 of this Act
2 shall take effect June 1, 2003. It shall remain effective for a period of 2 years and 3
3 months and, at the end of August 31, 2005, with no further action required by the
4 General Assembly, Section 2 of this Act shall be abrogated and of no further force and
5 effect.

6 SECTION 15. AND BE IT FURTHER ENACTED, That this Act is an emergency
7 measure, is necessary for the immediate preservation of the public health or safety, has
8 been passed by a yea and nay vote supported by three-fifths of all the members elected
9 to each of the two Houses of the General Assembly, and, except as provided in Section
10 14 of this Act, shall take effect from the date it is enacted.