

**HOUSE BILL 350**  
**EMERGENCY BILL**

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C3

2004 Regular Session  
4r0305  
CF 4r0306

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By: **Delegate Hurson**

Introduced and read first time: January 28, 2004

Assigned to: Health and Government Operations

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Committee Report: Favorable

House action: Adopted

Read second time: March 17, 2004

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CHAPTER 330

1 AN ACT concerning

2 **Nonprofit Health Service Plans - Compensation of Officers and Executives -**  
3 **Authority of Insurance Commissioner**

4 FOR the purpose of making changes to conform certain provisions of the Insurance  
5 Article relating to nonprofit health service plans to the Order and Consent  
6 Judgment rendered by the U.S. District Court for the District of Maryland in the  
7 case of State of Maryland v. Blue Cross & Blue Shield Association and CareFirst,  
8 Inc.; altering the authority of the Maryland Insurance Commissioner for the  
9 review and approval of certain compensation guidelines for officers and  
10 executives of certain nonprofit health service plans; requiring the board of  
11 directors of certain nonprofit health service plans to provide a copy of certain  
12 compensation guidelines to the Commissioner on or before a certain date;  
13 providing for the application of this Act; making this Act an emergency measure;  
14 and generally relating to the authority of the Maryland Insurance  
15 Commissioner over nonprofit health service plans.

16 BY repealing and reenacting, with amendments,  
17 Article - Insurance  
18 Section 14-139(d) and (e)  
19 Annotated Code of Maryland  
20 (2002 Replacement Volume and 2003 Supplement)

21 **Preamble**

22 WHEREAS, Chapters 356 and 357, Acts of 2003 (the "Act"), reformed certain  
23 statutory requirements for nonprofit health service plans issued a certificate of  
24 authority in the State; and

1 WHEREAS, On May 21, 2003, the Blue Cross and Blue Shield Association (the  
2 "Association") filed suit against CareFirst, Inc. ("CareFirst") in the U.S. District  
3 Court for the Northern District of Illinois to terminate CareFirst's continued use of  
4 the Blue Cross and Blue Shield trademark and name ("Blue Marks"); and

5 WHEREAS, On May 22, 2003, CareFirst filed suit against the State of  
6 Maryland in the U.S. District Court for the District of Maryland challenging the  
7 constitutionality of the Act; and

8 WHEREAS, The State of Maryland filed suit against the Association and  
9 CareFirst challenging the Association's termination of CareFirst's use of the Blue  
10 Marks; and

11 WHEREAS, The State, the Association, and CareFirst sought to resolve the  
12 issues concerning CareFirst's right to use the Blue Marks to ensure CareFirst  
13 subscribers uninterrupted access to Blue Cross and Blue Shield branded products and  
14 services while also protecting the public interest; and

15 WHEREAS, On June 6, 2003, the U.S. District Court for the District of  
16 Maryland issued an Order and Consent Judgment (the "Order") resolving the issues  
17 among the State, the Association, and CareFirst; and

18 WHEREAS, The Order altered certain provisions of the Act relating to the  
19 authority of the Maryland Insurance Commissioner over compensation guidelines for  
20 officers and executives of nonprofit health service plans; and

21 WHEREAS, It is desirable to conform the statute to the Order; now, therefore,

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

24 **Article - Insurance**

25 14-139.

26 (d) (1) The compensation committee of the board shall:

27 (i) identify nonprofit health service plans in the United States that  
28 are similar in size and scope to the nonprofit health service plan managed by the  
29 board; and

30 (ii) develop proposed guidelines, for approval by the board, for  
31 compensation, including salary, bonuses, and perquisites, of all officers and  
32 executives that is reasonable in comparison to compensation for officers and  
33 executives of similar nonprofit health service plans.

34 (2) [On or before June 1, 2004, the board shall submit the proposed  
35 guidelines developed under paragraph (1)(ii) of this subsection to the Commissioner  
36 for review and approval.

1 (3) (i) The Commissioner shall review the proposed guidelines and,  
2 within 60 days, approve or disapprove the proposed guidelines.

3 (ii) Failure of the Commissioner to act on the proposed guidelines  
4 within 60 days shall constitute approval.

5 (4) If the Commissioner disapproves the proposed guidelines, the board  
6 shall revise and submit new proposed guidelines that meet the Commissioner's  
7 approval.

8 (5) The board shall review the proposed guidelines at least annually  
9 [and, if the board finds that changes are needed, the board shall submit the changes  
10 to the Commissioner in accordance with paragraphs (1) through (3) of this  
11 subsection].

12 [(6)] (3) The board shall:

13 (i) provide a copy of the approved guidelines:

14 1. to each officer and executive of the nonprofit health  
15 service plan; [and]

16 2. to each candidate for an officer or executive position with  
17 the nonprofit health service plan; and

18 3. ON OR BEFORE SEPTEMBER 1, 2004, AND ANNUALLY  
19 THEREAFTER, TO THE COMMISSIONER; AND

20 (ii) adhere to the approved guidelines in compensating the officers  
21 and executives of the nonprofit health service plan.

22 [(7)] (4) On an annual basis, the Commissioner shall review the  
23 compensation paid by the nonprofit health service plan to each officer and executive.

24 [(8)] (5) If the Commissioner finds that the compensation exceeds the  
25 amount authorized under the approved guidelines, the Commissioner shall issue an  
26 order prohibiting payment of the excess amount.

27 (e) The approval or receipt of remuneration in violation of an order issued  
28 under subsection [(d)(8)] (D)(5) of this section is a violation of § 14-115(c) of this  
29 subtitle and shall be considered an unsound or unsafe business practice under §  
30 14-116 of this subtitle.

31 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be  
32 construed to apply retroactively and shall be applied to and interpreted to affect the  
33 authority of the Maryland Insurance Commissioner over compensation guidelines for  
34 officers and executives of nonprofit health service plans on or after June 6, 2003.

35 SECTION 3. AND BE IT FURTHER ENACTED, That this Act is an  
36 emergency measure, is necessary for the immediate preservation of the public health

1 or safety, has been passed by a yea and nay vote supported by three-fifths of all the  
2 members elected to each of the two Houses of the General Assembly, and shall take  
3 effect from the date it is enacted.