
By: **Delegates Frank and Boteler**

Introduced and read first time: February 15, 2005

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Managed Care Organizations - Adjustment to Capitation Payments - Quality**
3 **Improvement Incentive**

4 FOR the purpose of authorizing the Secretary of Health and Mental Hygiene, in
5 consultation with the Insurance Commissioner, as a quality improvement
6 incentive to adjust capitation payments for a managed care organization based
7 on the performance of the managed care organization on certain performance
8 measures; repealing the authority of the Secretary to adjust capitation
9 payments for a managed care organization if the loss ratio is less than a certain
10 percentage; requiring the Secretary to establish by regulation certain
11 performance measures and a certain methodology; requiring the Secretary to
12 adopt certain regulations on or before a certain date; providing that this Act may
13 not be implemented until the Secretary adopts certain regulations; and
14 generally relating to adjustments to capitation payments for managed care
15 organizations.

16 BY repealing and reenacting, with amendments,
17 Article - Insurance
18 Section 15-605(c)
19 Annotated Code of Maryland
20 (2002 Replacement Volume and 2004 Supplement)

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

23 **Article - Insurance**

24 15-605.

25 (c) (1) For a health benefit plan that is issued under Subtitle 12 of this title,
26 the Commissioner may require the insurer, nonprofit health service plan, or health
27 maintenance organization to file new rates if the loss ratio is less than 75%.

28 (2) (i) Subject to subparagraph (ii) of this paragraph, for a health
29 benefit plan that is issued to individuals the Commissioner may require the insurer,

1 nonprofit health service plan, or health maintenance organization to file new rates if
2 the loss ratio is less than 60%.

3 (ii) Subparagraph (i) of this paragraph does not apply to an
4 insurance product that:

- 5 1. is listed under § 15-1201(f)(3) of this title; or
- 6 2. is nonrenewable and has a policy term of no more than 6
7 months.

8 (iii) The Commissioner may establish a loss ratio for each insurance
9 product described in subparagraph (ii)1 and 2 of this paragraph.

10 (3) The authority of the Commissioner under paragraphs (1) and (2) of
11 this subsection to require an insurer, nonprofit health service plan, or health
12 maintenance organization to file new rates based on loss ratio:

13 (i) is in addition to any other authority of the Commissioner under
14 this article to require that rates not be excessive, inadequate, or unfairly
15 discriminatory; and

16 (ii) does not limit any existing authority of the Commissioner to
17 determine whether a rate is excessive.

18 (4) (i) In determining whether to require an insurer to file new rates
19 under this subsection, the Commissioner may consider the amount of health
20 insurance premiums earned in the State on individual policies in proportion to the
21 total health insurance premiums earned in the State for the insurer.

22 (ii) The insurer shall provide to the Commissioner the information
23 necessary to determine the proportion of individual health insurance premiums to
24 total health insurance premiums as provided under this paragraph.

25 (5) (I) The Secretary of Health and Mental Hygiene, in consultation
26 with the Commissioner and in accordance with their memorandum of understanding,
27 may, AS A QUALITY IMPROVEMENT INCENTIVE, adjust capitation payments for a
28 managed care organization [or for the Maryland Medical Assistance Program of a
29 managed care organization that is a certified health maintenance organization:]
30 **BASED ON THE PERFORMANCE OF THE MANAGED CARE ORGANIZATION ON A CORE**
31 **SET OF PERFORMANCE MEASURES.**

32 [(i) if the loss ratio is less than 80% during calendar year 1997; and

33 (ii) during each subsequent calendar year if the loss ratio is less
34 than 85%.]

35 (II) **THE SECRETARY OF HEALTH AND MENTAL HYGIENE SHALL**
36 **ESTABLISH BY REGULATION:**

1 1. A CORE SET OF PERFORMANCE MEASURES FOR MANAGED
2 CARE ORGANIZATIONS, INCLUDING QUALITY MEASURES AND PERFORMANCE
3 TARGETS; AND

4 2. A METHODOLOGY FOR WITHHOLDING CAPITATION
5 PAYMENTS FROM MANAGED CARE ORGANIZATIONS AND DISTRIBUTING WITHHELD
6 CAPITATION PAYMENTS BASED ON MANAGED CARE ORGANIZATION PERFORMANCE.

7 (6) [A loss ratio reported under paragraph (5) of this subsection shall be
8 calculated separately and may not be part of another loss ratio reported under this
9 section.

10 (7)] Any rebate received by a managed care organization may not be
11 considered part of the loss ratio of the managed care organization.

12 SECTION 2. AND BE IT FURTHER ENACTED, That the requirements of this
13 Act may not be implemented until the Secretary of Health and Mental Hygiene
14 adopts regulations as required by this Act. The Secretary shall adopt regulations as
15 required by this Act on or before December 31, 2005.

16 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
17 July 1, 2005.