

# SENATE BILL 648

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CF HB 411

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By: **Senators Exum, Astle, Currie, Klausmeier, and Pugh**  
Introduced and read first time: February 2, 2007  
Assigned to: Finance

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## A BILL ENTITLED

1 AN ACT concerning

2 **Health Insurance – Managed Care Organizations – Service Count Ratio**

3 FOR the purpose of requiring that certain regulations adopted by the Secretary of  
4 Health and Mental Hygiene, in consultation with the Maryland Insurance  
5 Commissioner, establish a mechanism to include a certain service count ratio as  
6 a condition under which a certain adjustment to capitation payments for certain  
7 managed care organizations will be waived; and generally relating to capitation  
8 payments for managed care organizations.

9 BY repealing and reenacting, without amendments,  
10 Article – Insurance  
11 Section 15–605(c)(5)  
12 Annotated Code of Maryland  
13 (2006 Replacement Volume and 2006 Supplement)

14 BY repealing and reenacting, with amendments,  
15 Chapter 193 of the Acts of the General Assembly of 2005  
16 Section 2

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

19 **Article – Insurance**

20 15–605.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (c) (5) The Secretary of Health and Mental Hygiene, in consultation with  
2 the Commissioner and in accordance with their memorandum of understanding, may  
3 adjust capitation payments for a managed care organization or for the Maryland  
4 Medical Assistance Program of a managed care organization that is a certified health  
5 maintenance organization:

- 6 (i) if the loss ratio is less than 80% during calendar year 1997;  
7 and  
8 (ii) during each subsequent calendar year if the loss ratio is less  
9 than 85%.

### 10 Chapter 193 of the Acts of 2005

11 SECTION 2. AND BE IT FURTHER ENACTED, That:

12 (a) Prior to making any adjustments to capitation payments for a managed  
13 care organization, the Secretary of Health and Mental Hygiene, in consultation with  
14 the Maryland Insurance Commissioner, shall adopt regulations to implement the  
15 provisions of § 15–605(c)(5) of the Insurance Article.

16 (b) The regulations adopted under subsection (a) of this section shall:

17 (1) establish the definition of “loss ratio” for uniform application by all  
18 managed care organizations;

19 (2) establish procedures requiring the Secretary of Health and Mental  
20 Hygiene to consider the financial performance of a managed care organization in prior  
21 periods;

22 (3) establish standard data collection and reporting requirements for  
23 all managed care organizations;

24 (4) consistent with the provisions of § 15–605(c)(5) of the Insurance  
25 Article, establish a process for allowing a managed care organization to appeal a  
26 decision of the Secretary of Health and Mental Hygiene to adjust a managed care  
27 organization’s capitation payments; [and]

28 (5) establish a mechanism for, and conditions under which, an  
29 adjustment to the capitation rates of a managed care organization are made; **AND**

1           **(6) ESTABLISH A MECHANISM TO INCLUDE AN ABOVE MANAGED**  
2 **CARE ORGANIZATION AVERAGE SERVICE COUNT RATIO FOR EVALUATION AND**  
3 **MANAGEMENT SERVICES AS A CONDITION UNDER WHICH THE CAPITATION**  
4 **ADJUSTMENT WILL BE WAIVED IF THE LOSS RATIO IS MORE THAN 80%, BUT**  
5 **LESS THAN 85%, AS DETERMINED BY THE SERVICE COUNT RATIO REPORT**  
6 **PRODUCED BY THE DEPARTMENT OF HEALTH AND MENTAL HYGIENE.**

7           (c) The Secretary of Health and Mental Hygiene shall adopt any additional  
8 regulations necessary to carry out the provisions of § 16-605(c)(5) of the Insurance  
9 Article and the goals of the Health Choice Program.

10           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
11 June 1, 2007.