

**Department of Legislative Services
Maryland General Assembly
2007 Session**

**FISCAL AND POLICY NOTE
Revised**

Senate Bill 596 (Senator Klausmeier)
Finance

Health and Government Operations

**Discount Medical Plan Organizations and Discount Drug Plan Organizations -
Registration and Regulation**

This bill provides for the regulation of a discount medical plan organization or a discount drug plan organization by the Maryland Insurance Administration (MIA).

Fiscal Summary

State Effect: MIA special fund revenues could increase by \$5,000 in FY 2008. MIA special fund expenditures increase by \$50,600 to examine the newly registered organizations as needed. General fund revenues from civil penalties could increase by a minimal amount. Registering organizations and the required report could be handled with existing MIA resources. Out-year estimates reflect biennial registration.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
SF Revenue	\$5,000	\$2,500	\$3,000	\$1,500	\$2,500
SF Expenditure	50,600	61,700	65,000	68,400	72,100
Net Effect	(\$45,600)	(\$59,200)	(\$62,000)	(\$66,900)	(\$69,600)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal to none.

Analysis

Bill Summary: A discount medical plan organization offers discount medical plans (DMPs), which are business arrangements or contracts that provide plan members the

right to receive discounts on specified medical services in exchange for fees, dues, charges, or other financial consideration. Similarly, a discount drug plan organization offers discount drug plans (DDPs) that provide plan members the right to receive discounts on discounted drugs, pharmaceutical supplies, or medical equipment in exchange for fees, dues, charges, or other financial consideration. A DDP does not include a pharmaceutical manufacturer patient assistance program. The bill's provisions do not apply to Medicare drug plans or State prescription drug plans.

A person must register with MIA as a discount medical plan organization or a discount drug plan organization before selling, marketing, or soliciting a DMP or DDP in the State. A registrant must file annually with MIA a current list of the persons other than licensed insurance producers authorized to sell, market, or solicit a DMP or DDP. The registration fee is \$250 for a two-year period. The renewal fee is \$150. MIA may deny registration, refuse to renew, suspend, or revoke the registration if the applicant or registrant engages in specified activities.

The bill provides for limitations on advertising, plan access, payment to medical providers, and termination of plan membership. Various disclosure and notification requirements to plan members are also set forth.

When necessary, MIA may examine the affairs, transactions, accounts, records, and assets of a DMP or DDP organization. MIA may issue a cease and desist order if a DMP or DDP organization has violated any of the bill's provisions, and may require corrective action, including restitution of money, property, or other assets. MIA may impose a civil penalty of up to \$10,000 for each violation of the bill. Notwithstanding this civil penalty provision, MIA may impose a civil penalty of up to \$1,000 per day for each day a person is in violation of the bill's registration requirements.

Current Law: There is no regulatory oversight of these types of organizations.

Background: Discount medical plan organizations and discount drug plan organizations are not subject to direct regulation. Because plans that offer only discounts are not engaged in the business of insurance, MIA has no authority over them.

State Fiscal Effect: MIA special fund revenues could increase by at least \$5,000 in fiscal 2008 from new registration fees. It is estimated that 12 DMP and 8 to 10 DDP organizations would register to conduct business in the State. The number of new registrations in future years is anticipated to decrease.

To the extent MIA imposes civil penalties on persons who violate the bill's requirements, general fund revenues could increase. Any increase is expected to be minimal.

MIA special fund expenditures would increase by \$50,558 in fiscal 2008 to hire one full-time investigator in the compliance and enforcement section to examine the newly registered organizations.

Salary and Fringe Benefits	\$44,737
Other Operating Expenses	<u>5,821</u>
Total	\$50,558

Future year expenditures reflect (1) a full salary with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Registering organizations and the required report could be handled with existing MIA resources.

Additional Information

Prior Introductions: SB 181 of 2006, similar legislation, passed both chambers but was not enrolled. This bill is substantially similar to SB 281 as it passed the House. Similar legislation was also introduced in 2005 as HB 1090. This bill passed the House and received a favorable with amendments report from the Senate Finance Committee but no further action was taken.

Cross File: HB 847 (Delegate Bromwell) – Health and Government Operations.

Information Source(s): Department of Health and Mental Hygiene (Medicaid), Maryland Insurance Administration, Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

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