

## Article - Insurance

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§14–115.

- (a) (1) In this section the following words have the meanings indicated.
- (2) “Board” means the board of directors of a nonprofit health service plan.
- (3) “Immediate family member” means a spouse, child, child’s spouse, parent, spouse’s parent, sibling, or sibling’s spouse.
- (b) This section applies to a nonprofit health service plan that is:
  - (1) issued a certificate of authority in the State; and
  - (2) organized under the laws of the State.
- (c) (1) The business and affairs of a nonprofit health service plan shall be managed under the direction of a board of directors.
  - (2) (i) The board and its individual members are fiduciaries and shall act:
    - 1. in good faith;
    - 2. in a manner that is reasonably believed to be in the best interests of the corporation and its controlled affiliates or subsidiaries that offer health benefit plans;
    - 3. in a manner that is reasonably believed to be in furtherance of the mission of the corporation as a nonprofit health service plan as required under § 14-102(c) of this subtitle; and
    - 4. with the care that an ordinarily prudent person in a like position would use under similar circumstances.
  - (ii) The board and its individual members may not use board membership for personal or financial enrichment to the detriment of the nonprofit health service plan or the mission of the nonprofit health service plan.
- (3) The principal functions of the board shall include:
  - (i) ensuring that the corporation effectively carries out the nonprofit mission established under § 14-102(c) of this subtitle;
  - (ii) selecting corporate management and evaluating its performance;
  - (iii) ensuring to the extent practicable that human resources and

other resources are sufficient to meet corporate objectives;

(iv) subject to the provisions of subsection (d) of this section, nominating and selecting suitable candidates for the board;

(v) establishing a system of governance at the board level, including an annual evaluation of board performance; and

(vi) before considering any bid or offer to acquire the nonprofit health service plan and to convert to a for-profit entity under Title 6.5 of the State Government Article, ensuring that adequate consideration is given to an independent valuation of the nonprofit health service plan.

(4) Each member of the board shall demonstrate a commitment to the mission of the nonprofit health service plan as required by § 14-102(c) of this subtitle.

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

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

(d) (1) This subsection applies to a corporation that is:

(i) issued a certificate of authority as a nonprofit health service plan;  
and

(ii) the sole member of a corporation issued a certificate of authority as a nonprofit health service plan.

(2) The board shall be composed of no more than 23 members, including:

(i) one nonvoting member, who is not a member of the Maryland General Assembly, appointed by and serving at the pleasure of the President of the Senate of Maryland;

(ii) one nonvoting member, who is not a member of the Maryland General Assembly, appointed by and serving at the pleasure of the Speaker of the House of Delegates; and

(iii) 21 members selected by the board, in accordance with the bylaws of the corporation, including two consumer members, who satisfy the requirements of paragraphs (13), (14), and (15) of this subsection.

(3) No more than four members of the board may be:

(i) licensed health care professionals;

(ii) hospital administrators; or

(iii) employees of health care professionals or hospitals.

(4) To the extent possible, the board shall include individuals with experience in accounting, information technology, finance, law, large and small businesses, nonprofit businesses, and organized labor.

(5) Except for nonvoting members under paragraph (2)(i) and (ii) of this subsection, the board shall be self-perpetuating.

(6) The board shall have the following standing committees whose duties shall include:

(i) an audit committee responsible for ensuring financial accountability;

(ii) a finance committee responsible for reviewing and making recommendations on the annual budget and for developing and recommending long-range financial objectives;

(iii) a compensation committee responsible for developing proposed compensation guidelines in accordance with § 14-139(d) of this subtitle;

(iv) a nominating committee responsible for identifying, evaluating, and recommending to the board individuals qualified to become board members, including individuals who represent a corporation for which the nonprofit health service plan is the sole member;

(v) a service and quality oversight committee responsible for ensuring that policies and processes are in effect to assess and improve the quality of health insurance products provided to subscribers and certificate holders;

(vi) a mission oversight committee responsible for ensuring that the officers of the corporation act in accordance with the mission of the nonprofit health service plan;

(vii) a strategic planning committee responsible for examining long-range planning objectives, assessing strategies that may be used to implement the planning objectives, and analyzing the nonprofit health service plan's role in the insurance marketplace; and

(viii) any other committee that the board determines is necessary to carry out its duties.

(7) Each standing committee shall have representation from:

(i) the voting members under paragraph (2) of this subsection; and

(ii) each corporation for which the nonprofit health service plan is

the sole member.

(8) The compensation committee and the nominating committee shall each include either the appointee of the President of the Senate or the appointee of the Speaker of the House of Delegates.

(9) Each board member shall serve on at least one standing committee.

(10) The chairman of the board shall select a chairman for each board committee.

(11) (i) The board shall approve in advance any action by the nonprofit health service plan, a corporation for which the plan is the sole member, or any affiliate or subsidiary of the nonprofit health service plan to:

1. materially modify options available in benefit plans marketed in the State;

2. materially modify Maryland provider networks or Maryland provider reimbursement levels;

3. materially modify underwriting guidelines for products marketed in the State;

4. materially modify rates or rating plans that are required to be approved by the Commissioner;

5. add a product to or withdraw a product from the Maryland market, withdraw from a line or type of business in the State, or withdraw from a geographic region in the State;

6. materially modify marketing goals and objectives in the State; or

7. materially impact the availability or affordability of health care in the State.

(ii) The Commissioner shall adopt regulations that define “material” for purposes of subparagraph (i) of this paragraph.

(iii) A decision by the board to convert to a for-profit entity under Title 6.5 of the State Government Article may be rejected by any three members of the board.

(iv) The board may delegate approval for the actions listed in subparagraph (i) of this paragraph to a standing committee of the board.

(12) The board shall take and retain complete minutes of all board and

committee meetings.

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

(14) Each consumer member of the board:

- (i) shall be a member of the general public;
- (ii) may not be considered an agent or employee of the State for any purpose; and
- (iii) is entitled to the same rights, powers, and privileges as the other members of the board.

(15) A consumer member of the board may not:

- (i) be a licensee of or otherwise be subject to regulation by the Commissioner;
- (ii) be employed by or have a financial interest in:
  - 1. a nonprofit health service plan or its affiliates or subsidiaries; or
  - 2. a person regulated under this article or the Health – General Article; or
- (iii) within 3 years before appointment, have been employed by, had a financial interest in, or have received compensation from:
  - 1. a nonprofit health service plan or its affiliates or subsidiaries; or
  - 2. a person regulated under this article or the Health – General Article.

(e) (1) This subsection does not apply to a board that has fewer than three authorized members.

(2) The term of a member is 3 years.

(3) The terms of the members of a board shall be staggered over a 3-year period as required by the terms provided for members of the board in the bylaws filed and approved by the Commissioner on or after June 1, 2003.

(4) At the end of a term, a member continues to serve until a successor is appointed and qualifies.

(5) A member who is appointed after a term has begun serves only for the rest of the term and until a successor is appointed and qualifies.

(6) A member may not serve for more than:

(i) three full terms; or

(ii) a total of more than 9 years.

(7) A person may not be a member of the board if the person:

(i) has defaulted on the payment of a monetary obligation to the nonprofit health service plan;

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

(iii) habitually has neglected to pay debts; or

(iv) has been prohibited under any federal securities law from acting as a director or officer of any corporation.

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

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

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

(11) (i) The composition of the board shall represent the racial and gender diversity of the State.

(ii) The board shall include representation from each geographic region of the State.

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

(g) (1) Board members may receive the following compensation:

(i) reimbursement for ordinary and necessary expenses; and

(ii) an amount of base compensation and compensation for attendance at meetings in accordance with § 14–139 of this subtitle.

(2) A board member may not receive more than the amount specified in paragraph (1) of this subsection for serving on more than one board of a corporation subject to this section.

(3) (i) This paragraph applies to a corporation that is:

1. issued a certificate of authority as a nonprofit health service plan; and

2. the sole member of a corporation issued a certificate of authority as a nonprofit health service plan.

(ii) On or before June 30 of each calendar year, a corporation subject to this paragraph shall report to the Commissioner on:

1. the total amount of base compensation, compensation for attendance at meetings, and reimbursement for ordinary and necessary expenses paid to each board member in the preceding calendar year; and

2. the proposed annual compensation, together with necessary supporting documentation, to be paid to board members for the next calendar year.

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