

HOUSE BILL 98

Unofficial Copy  
C3

1998 Regular Session  
(81r0149)

*ENROLLED BILL*  
*-- Economic Matters/Finance --*

Introduced by **Delegates Harrison, Taylor, Busch, Dewberry, Hurson, Rawlings, Curran, Guns, Vallario, Hixson, Menes, Kopp, Arnick, Owings, Benson, E. Burns, Cadden, Clagett, Conroy, C. Davis, Finifter, Frank, Goldwater, Hecht, Howard, Krysiak, Love, Marriott, Minnick, Patterson, Perry, Pitkin, Preis, Proctor, Shriver, Slade, Turner, Weir, and Workman Workman, DeCarlo, Donoghue, McHale, Miller, Valderrama, Gordon, Boston, Crumlin, Eckardt, Fulton, Kach, Kelly, Kirk, La Vay, McClenahan, V. Mitchell, Pendergrass, and Walkup**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this  
\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_M.

\_\_\_\_\_  
Speaker.

CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Provider-Sponsored Organizations - Medicare+Choice Program**

3 FOR the purpose of requiring provider-sponsored organizations to obtain a license  
4 from the Maryland Insurance Commissioner prior to contracting under the  
5 federal Medicare+Choice Program to provide Medicare services; *clarifying the*  
6 *authority of a licensee; permitting a provider-sponsored organization to*  
7 *participate in the Medicaid program as a managed care organization; imposing*  
8 *certain solvency requirements under certain circumstances; requiring the*  
9 Commissioner to adopt certain regulations; altering a certain provision of law  
10 related to the referral of patients to certain entities for the provision of health

1 care services to include a provider-sponsored organization; defining certain  
2 terms; and generally relating to provider-sponsored organizations.

3 BY adding to

4 Article - Health - General

5 Section 19-7A-01 through ~~19-7A-03~~ 19-7A-04, inclusive, to be under the new  
6 subtitle "Subtitle 7A. Provider-Sponsored Organizations"

7 Annotated Code of Maryland

8 (1996 Replacement Volume and 1997 Supplement)

9 BY repealing and reenacting, with amendments,

10 Article - Health Occupations

11 Section 1-302(d)(7) and (8)

12 Annotated Code of Maryland

13 (1994 Replacement Volume and 1997 Supplement)

14 BY adding to

15 Article - Health Occupations

16 Section 1-302(d)(9)

17 Annotated Code of Maryland

18 (1994 Replacement Volume and 1997 Supplement)

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

21 **Article - Health - General**

22 **SUBTITLE 7A. PROVIDER-SPONSORED ORGANIZATIONS.**

23 19-7A-01.

24 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS  
25 INDICATED.

26 (B) "COMMISSIONER" MEANS THE MARYLAND INSURANCE COMMISSIONER.

27 ~~(C) "HEALTH CARE SERVICES" MEANS SERVICES, MEDICAL EQUIPMENT, AND~~  
28 ~~SUPPLIES THAT ARE PROVIDED BY A PROVIDER.~~

29 (C) "HEALTH CARE SERVICES" MEANS A HEALTH OR MEDICAL CARE  
30 PROCEDURE OR SERVICE RENDERED BY A HEALTH CARE PROVIDER THAT:

31 (1) PROVIDES TESTING, DIAGNOSIS, OR TREATMENT OF A HUMAN  
32 DISEASE OR DYSFUNCTION; OR

33 (2) DISPENSES DRUGS, MEDICAL DEVICES, MEDICAL APPLIANCES, OR  
34 MEDICAL GOODS FOR THE TREATMENT OF A HUMAN DISEASE OR DYSFUNCTION.

1 ~~(D)~~ (D) "LICENSE" INCLUDES A CERTIFICATE OF AUTHORITY, AS DEFINED IN §  
2 1-101 OF THE INSURANCE ARTICLE.

3 ~~(D)~~ (E) "PROVIDER" MEANS ANY PERSON, INCLUDING A PHYSICIAN OR  
4 HOSPITAL, THAT IS LICENSED OR OTHERWISE AUTHORIZED IN THIS STATE TO  
5 PROVIDE HEALTH CARE SERVICES.

6 ~~(E)~~ (F) "PROVIDER-SPONSORED ORGANIZATION" MEANS AN ENTITY THAT:

7 (1) IS A LEGAL AGGREGATION OF PROVIDERS OPERATING  
8 COLLECTIVELY FOR THE PURPOSE OF PROVIDING HEALTH CARE SERVICES TO  
9 MEDICARE BENEFICIARIES UNDER THE FEDERAL MEDICARE+CHOICE PROGRAM;

10 (2) ACTS THROUGH A LICENSED ENTITY, SUCH AS A PARTNERSHIP,  
11 CORPORATION, LIMITED LIABILITY COMPANY, LIMITED LIABILITY PARTNERSHIP, OR  
12 SOLE PROPRIETORSHIP, THAT HAS AUTHORITY OVER THE ENTITY'S ACTIVITIES AND  
13 RESPONSIBILITY FOR SATISFYING THE REQUIREMENTS OF § 19-7A-02 OF THIS  
14 SUBTITLE; AND

15 (3) PROVIDES A SUBSTANTIAL ~~PORTION~~ PROPORTION OF THE HEALTH  
16 CARE SERVICES REQUIRED TO BE PROVIDED UNDER THE FEDERAL  
17 MEDICARE+CHOICE PROGRAM DIRECTLY THROUGH PROVIDERS OR AFFILIATED  
18 GROUPS OF PROVIDERS.

19 19-7A-02.

20 (A) A LICENSE ISSUED TO A PROVIDER-SPONSORED ORGANIZATION UNDER  
21 THIS SUBTITLE AUTHORIZES THE LICENSEE TO PROVIDE HEALTH CARE SERVICES  
22 ONLY TO MEDICARE BENEFICIARIES UNDER THE FEDERAL MEDICARE+CHOICE  
23 PROGRAM.

24 (B) NOTHING IN THIS SUBTITLE MAY BE CONSTRUED TO LIMIT A  
25 PROVIDER-SPONSORED ORGANIZATION FROM PARTICIPATING IN THE MEDICAID  
26 PROGRAM AS A MANAGED CARE ORGANIZATION.

27 19-7A-03.

28 (A) (1) BEFORE AN ENTITY MAY OPERATE AS A PROVIDER-SPONSORED  
29 ORGANIZATION UNDER THE FEDERAL MEDICARE+CHOICE PROGRAM, THE ENTITY  
30 MUST OBTAIN A LICENSE FROM THE COMMISSIONER.

31 (2) THE COMMISSIONER SHALL ISSUE A LICENSE UNDER PARAGRAPH (1)  
32 OF THIS SUBSECTION TO ANY ENTITY TO OPERATE AS A PROVIDER-SPONSORED  
33 ORGANIZATION THAT MEETS THE REQUIREMENTS OF SUBSECTION (B) OF THIS  
34 SECTION.

35 (B) TO OPERATE AS A PROVIDER-SPONSORED ORGANIZATION UNDER THE  
36 FEDERAL MEDICARE+CHOICE PROGRAM IN THIS STATE, AN ENTITY SHALL:

37 ~~(1)~~ (1) ~~BE FORMED UNDER THE LAWS OF THIS STATE;~~



1                   (ii)       Thereafter the beneficial interest or compensation arrangement  
2 of the health care practitioner does not increase; OR

3                   (9)       A HEALTH CARE PRACTITIONER WHEN TREATING AN ENROLLEE OF  
4 A PROVIDER-SPONSORED ORGANIZATION AS DEFINED IN § 19-7A-01 OF THE HEALTH  
5 - GENERAL ARTICLE IF THE HEALTH CARE PRACTITIONER IS REFERRING  
6 ENROLLEES TO AN AFFILIATED HEALTH CARE PROVIDER OF THE  
7 PROVIDER-SPONSORED ORGANIZATION.

8       SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
9 June 1, 1998.