

HOUSE BILL 98

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C3

1998 Regular Session  
8r0149

(PRE-FILED)

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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**

Requested: November 15, 1997

Introduced and read first time: January 14, 1998

Assigned to: Economic Matters

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A BILL ENTITLED

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; requiring the  
6 Commissioner to adopt certain regulations; altering a certain provision of law  
7 related to the referral of patients to certain entities for the provision of health  
8 care services to include a provider-sponsored organization; defining certain  
9 terms; and generally relating to provider-sponsored organizations.

10 BY adding to

11 Article - Health - General  
12 Section 19-7A-01 through 19-7A-03, inclusive, to be under the new subtitle  
13 "Subtitle 7A. Provider-Sponsored Organizations"  
14 Annotated Code of Maryland  
15 (1996 Replacement Volume and 1997 Supplement)

16 BY repealing and reenacting, with amendments,

17 Article - Health Occupations  
18 Section 1-302(d)(7) and (8)  
19 Annotated Code of Maryland  
20 (1994 Replacement Volume and 1997 Supplement)

21 BY adding to

22 Article - Health Occupations  
23 Section 1-302(d)(9)  
24 Annotated Code of Maryland  
25 (1994 Replacement Volume and 1997 Supplement)

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

3 **Article - Health - General**

4 SUBTITLE 7A. PROVIDER-SPONSORED ORGANIZATIONS.

5 19-7A-01.

6 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS  
7 INDICATED.

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

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

11 (D) "PROVIDER" MEANS ANY PERSON, INCLUDING A PHYSICIAN OR HOSPITAL,  
12 THAT IS LICENSED OR OTHERWISE AUTHORIZED IN THIS STATE TO PROVIDE HEALTH  
13 CARE SERVICES.

14 (E) "PROVIDER-SPONSORED ORGANIZATION" MEANS AN ENTITY THAT:

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

18 (2) ACTS THROUGH A LICENSED ENTITY, SUCH AS A PARTNERSHIP,  
19 CORPORATION, OR SOLE PROPRIETORSHIP, THAT HAS AUTHORITY OVER THE  
20 ENTITY'S ACTIVITIES AND RESPONSIBILITY FOR SATISFYING THE REQUIREMENTS OF  
21 § 19-7A-02 OF THIS SUBTITLE; AND

22 (3) PROVIDES A SUBSTANTIAL PORTION OF THE HEALTH CARE  
23 SERVICES REQUIRED TO BE PROVIDED UNDER THE FEDERAL MEDICARE+CHOICE  
24 PROGRAM DIRECTLY THROUGH PROVIDERS OR AFFILIATED GROUPS OF PROVIDERS.

25 19-7A-02.

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

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

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

- 1 (1) BE FORMED UNDER THE LAWS OF THIS STATE;
- 2 (2) MEET THE DEFINITION OF A PROVIDER-SPONSORED ORGANIZATION  
3 UNDER § 19-7A-01 OF THIS SUBTITLE; AND
- 4 (3) MEET THE REQUIREMENTS APPLICABLE TO A HEALTH  
5 MAINTENANCE ORGANIZATION UNDER SUBTITLE 7 OF THIS TITLE TO THE EXTENT  
6 THOSE REQUIREMENTS ARE NOT PREEMPTED BY FEDERAL LAW.

7 19-7A-03.

8 (A) THE COMMISSIONER SHALL ADOPT REGULATIONS TO IMPLEMENT THE  
9 PROVISIONS OF THIS SUBTITLE.

10 (B) REGULATIONS RELATING TO THE SOLVENCY OF A PROVIDER-SPONSORED  
11 ORGANIZATION ADOPTED UNDER SUBSECTION (A) OF THIS SECTION SHALL IMPOSE  
12 SOLVENCY REQUIREMENTS THE SAME AS REQUIRED UNDER FEDERAL LAW.

13 **Article - Health Occupations**

14 1-302.

15 (d) The provisions of this section do not apply to:

16 (7) A health care practitioner or member of a single specialty group  
17 practice, including any person employed or affiliated with a hospital, who has a  
18 beneficial interest in a health care entity that is owned or controlled by a hospital or  
19 under common ownership or control with a hospital if:

20 (i) The health care practitioner or other member of that single  
21 specialty group practice provides the health care services to a patient pursuant to a  
22 referral or in accordance with a consultation requested by another health care  
23 practitioner who does not have a beneficial interest in the health care entity; or

24 (ii) The health care practitioner or other member of that single  
25 specialty group practice referring a patient to the facility, service, or entity personally  
26 performs or supervises the health care service or procedure; [or]

27 (8) A health care practitioner with a beneficial interest in, or  
28 compensation arrangement with, a hospital or related institution as defined in §  
29 19-301 of the Health - General Article or a facility, service, or other entity that is  
30 owned or controlled by a hospital or related institution or under common ownership or  
31 control with a hospital or related institution if:

32 (i) The beneficial interest was held or the compensation  
33 arrangement was in existence on January 1, 1993; and

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

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

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