
By: **Delegates Morhaim, Barve, Goldwater, Pendergrass, Nathan-Pulliam,
and Zirkin**

Introduced and read first time: February 2, 2000

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Health Maintenance Organizations - Nonprofit Status Required**

3 FOR the purpose of requiring each health maintenance organization operating in the
4 State to be a nonprofit health maintenance organization after a certain date;
5 requiring the Insurance Commissioner, in consultation with the Maryland
6 Health Care Commission and the Office of the Attorney General, to establish a
7 certain plan for the conversion of health maintenance organizations to nonprofit
8 status on or before a certain date; authorizing the Insurance Commissioner to
9 accept a plan for conversion submitted by the health maintenance organization
10 involved in the conversion; altering a certain definition; providing for the
11 delayed effective date of certain provisions of this Act; and generally relating to
12 requiring health maintenance organizations operating in the State to be
13 nonprofit health maintenance organizations.

14 BY repealing and reenacting, without amendments,
15 Article - Health - General
16 Section 19-707 and 19-710(a) and (b)
17 Annotated Code of Maryland
18 (1996 Replacement Volume and 1999 Supplement)

19 BY adding to
20 Article - Health - General
21 Section 19-710(b-1)
22 Annotated Code of Maryland
23 (1996 Replacement Volume and 1999 Supplement)

24 BY repealing and reenacting, with amendments,
25 Article - Health - General
26 Section 19-701(f)
27 Annotated Code of Maryland
28 (1996 Replacement Volume and 1999 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 19-707.

5 (a) A health maintenance organization shall obtain from the Commissioner a
6 certificate of authority to operate as a health maintenance organization before it may
7 issue any contract or certificate to a member, provide any health care services to a
8 member, or otherwise operate in this State.

9 (b) Except as permitted by the Commissioner and subject to the rules and
10 regulations adopted under this subtitle, a health maintenance organization that does
11 not have a certificate of authority may not contact potential members to discuss the
12 health care services the health maintenance organization proposes to offer if a
13 certificate of authority is granted.

14 19-710.

15 (a) To qualify for a certificate of authority to operate as a health maintenance
16 organization, an applicant shall satisfy the Commissioner that the applicant will
17 meet the requirements of this section.

18 (b) The applicant shall conform to the definition of a health maintenance
19 organization.

20 (B-1) (1) AFTER OCTOBER 1, 2002, EACH HEALTH MAINTENANCE
21 ORGANIZATION THAT OPERATES IN THE STATE SHALL BE A NONPROFIT HEALTH
22 MAINTENANCE ORGANIZATION.

23 (2) THE COMMISSIONER, IN CONSULTATION WITH THE MARYLAND
24 HEALTH CARE COMMISSION AND THE OFFICE OF THE ATTORNEY GENERAL, SHALL
25 ADOPT A PLAN FOR CONVERSION UNDER WHICH EACH HEALTH MAINTENANCE
26 ORGANIZATION THAT OPERATES IN THE STATE IN A FOR-PROFIT STATUS SHALL
27 CONVERT TO A NONPROFIT STATUS ON OR BEFORE OCTOBER 1, 2002.

28 (3) IN ADOPTING ANY SPECIFIC PLAN OF CONVERSION, THE
29 COMMISSIONER MAY ACCEPT A PLAN SUBMITTED BY THE HEALTH MAINTENANCE
30 ORGANIZATION INVOLVED IN THE CONVERSION.

31 (4) THE PLAN FOR CONVERSION SHALL ENSURE THAT THE VALUE OF
32 ASSETS OF EACH HEALTH MAINTENANCE ORGANIZATION IS SAFEGUARDED AND
33 MAINTAINED AFTER CONVERSION OF THE HEALTH MAINTENANCE ORGANIZATION
34 TO NONPROFIT STATUS.

35 (5) AFTER CONVERSION, THE HEALTH MAINTENANCE ORGANIZATION
36 SHALL MEET THE APPLICABLE FINANCIAL REQUIREMENTS TO CONTINUE TO
37 OPERATE AS A HEALTH MAINTENANCE ORGANIZATION IN THIS STATE.

1 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
2 read as follows:

3 **Article - Health - General**

4 19-701.

5 (f) "Health maintenance organization" means any person, including a [profit
6 or] nonprofit corporation organized under the laws of any state or country, that:

7 (1) Operates or proposes to operate in this State IN A NONPROFIT
8 STATUS;

9 (2) Except as provided in § 19-703(b) and (f) of this subtitle, provides or
10 otherwise makes available to its members health care services that include at least
11 physician, hospitalization, laboratory, X-ray, emergency, and preventive services,
12 out-of-area coverage, and any other health care services that the Commissioner
13 determines to be available generally on an insured or prepaid basis in the area
14 serviced by the health maintenance organization, and, at the option of the health
15 maintenance organization, may provide additional coverage;

16 (3) Except for any copayment or deductible arrangement, is compensated
17 only on a predetermined periodic rate basis for providing to members the minimum
18 services that are specified in item (2) of this subsection;

19 (4) Assures its subscribers and members, the Commissioner, and the
20 Department that one clearly specified legal and administrative focal point or element
21 of the health maintenance organization has the responsibility of providing the
22 availability, accessibility, quality, and effective use of comprehensive health care
23 services; and

24 (5) Primarily provides services of physicians:

25 (i) Directly through physicians who are either employees or
26 partners of the health maintenance organization; or

27 (ii) Under arrangements with one or more groups of physicians,
28 who are organized on a group practice or individual practice basis, under which each
29 group:

30 1. Is compensated for its services primarily on the basis of an
31 aggregate fixed sum or on a per capita basis; and

32 2. Is provided with an effective incentive to avoid
33 unnecessary inpatient use, whether the individual physician members of the group
34 are paid on a fee-for-service or other basis.

35 SECTION 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall
36 take effect October 1, 2002.

1 SECTION 4. AND BE IT FURTHER ENACTED, That, except as provided in
2 Section 3 of this Act, this Act shall take effect October 1, 2000.