

SENATE BILL 54

Unofficial Copy
J4

2000 Regular Session
0lr0120

(PRE-FILED)

By: **Chairman, Finance Committee (Departmental - Health and Mental Hygiene)**

Requested: November 3, 1999

Introduced and read first time: January 12, 2000

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Maryland Medical Assistance Program - Managed Care Organizations -**
3 **Administrative Service Provider Contracts**

4 FOR the purpose of requiring certain standards concerning administrative service
5 provider contracts to be applicable to managed care organizations under the
6 Maryland Medical Assistance Program; and generally relating to administrative
7 service provider contracts under the Maryland Medical Assistance Program.

8 BY repealing and reenacting, with amendments,
9 Article - Health - General
10 Section 15-102.3
11 Annotated Code of Maryland
12 (1994 Replacement Volume and 1999 Supplement)

13 BY repealing and reenacting, without amendments,
14 Article - Health - General
15 Section 19-713.2
16 Annotated Code of Maryland
17 (1996 Replacement Volume and 1999 Supplement)

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

20 **Article - Health - General**

21 15-102.3.

22 (a) The provisions of § 15-112 of the Insurance Article (Provider panels) shall
23 apply to managed care organizations in the same manner they apply to carriers.

24 (b) The provisions of § 15-1005 of the Insurance Article shall apply to
25 managed care organizations in the same manner they apply to health maintenance
26 organizations.

1 (C) THE PROVISIONS OF § 19-713.2 OF THIS ARTICLE (ADMINISTRATIVE
2 SERVICE PROVIDER CONTRACTS) SHALL APPLY TO MANAGED CARE ORGANIZATIONS
3 IN THE SAME MANNER THEY APPLY TO HEALTH MAINTENANCE ORGANIZATIONS.

4 [(c)] (D) (1) Except as otherwise provided in this subsection, the provisions
5 of § 19-718 of this article (Financial affairs examination) shall apply to managed care
6 organizations in the same manner they apply to health maintenance organizations.

7 (2) The Insurance Commissioner or an agent of the Commissioner shall
8 examine the financial affairs and status of each managed care organization at least
9 once every 5 years.

10 19-713.2.

11 (a) (1) In this section the following words have the meanings indicated.

12 (2) "Administrative service provider contract" means a contract or
13 capitation agreement between a health maintenance organization and a contracting
14 provider which includes requirements that:

15 (i) The contracting provider accept payments from a health
16 maintenance organization for health care services to be provided to members of the
17 health maintenance organization that the contracting provider arranges to be
18 provided by external providers; and

19 (ii) The contracting provider administer payments pursuant to the
20 contract within the health maintenance organization for the health care services to
21 the external providers.

22 (3) "Contracting provider" means a physician or other health care
23 provider who enters into an administrative service provider contract with a health
24 maintenance organization.

25 (4) "External provider" means a health care provider, including a
26 physician or hospital, who is not:

27 (i) A contracting provider; or

28 (ii) An employee, shareholder, or partner of a contracting provider.

29 (b) A health maintenance organization may not enter into an administrative
30 service provider contract unless:

31 (1) The health maintenance organization files with the Insurance
32 Commissioner a plan that satisfies the requirements of subsection (c) of this section;
33 and

34 (2) The Insurance Commissioner does not disapprove the filing within 30
35 days after the plan is filed.

36 (c) The plan required under subsection (b) of this section shall:

1 (1) Require the contracting provider to provide the health maintenance
2 organization with regular reports, at least quarterly, that identify payments made or
3 owed to external providers in sufficient detail to determine if the payments are being
4 made in compliance with law;

5 (2) Require the contracting provider to provide to the health
6 maintenance organization a current annual financial statement of the contracting
7 provider each year;

8 (3) Require the creation by the contracting provider, or on the
9 contracting provider's behalf, of a segregated fund (which may include withheld
10 funds, escrow accounts, letters of credit, or similar arrangements), or require the
11 availability of other resources that are sufficient to satisfy the contracting provider's
12 obligations to external providers for services rendered to members of the health
13 maintenance organization;

14 (4) Require an explanation of how the fund or resources required under
15 paragraph (3) of this subsection create funds or other resources sufficient to satisfy
16 the contracting provider's obligations to external providers for services rendered to
17 members of the health maintenance organization; and

18 (5) Permit the health maintenance organization, at mutually agreed
19 upon times and upon reasonable prior notice, to audit and inspect the contracting
20 provider's books, records, and operations relevant to the provider's contract for the
21 purpose of determining the contracting provider's compliance with the plan.

22 (d) The health maintenance organization and the contracting provider shall
23 comply with the plan.

24 (e) (1) The health maintenance organization shall monitor the contracting
25 provider to assure compliance with the plan, and the health maintenance
26 organization shall notify the contracting provider whenever a failure to comply with
27 the plan occurs.

28 (2) Upon the failure of the contracting provider to comply with the plan
29 following notice of noncompliance, or upon termination of the administrative service
30 provider contract for any reason, the health maintenance organization shall assume
31 the administration of any payments due from the contracting provider to external
32 providers on behalf of the contracting provider.

33 (f) The plan and all supporting documentation submitted in connection with
34 the plan shall be treated as confidential and proprietary, and may not be disclosed
35 except as otherwise required by law.

36 (g) On July 1, 1991, any health maintenance organization which has existing
37 contracts or arrangements subject to this section shall file a plan under this section
38 within 120 days.

39 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
40 July 1, 2000.

