

Department of Legislative Services  
Maryland General Assembly  
2000 Session

FISCAL NOTE  
Revised

Senate Bill 60 (Chairman, Finance Committee)  
(Departmental - Insurance Administration, Maryland)

Finance

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**Health Insurance - Risk Based Capital Standards for Insurers and Managed Care Organizations**

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This departmental bill subjects health insurers, nonprofit health service plans, HMOs, dental plan organizations, and provider-sponsored organizations (carriers) to risk-based capital standards (RBC), as adopted by the National Association of Insurance Commissioners (NAIC) in 1998. The bill also requires Medicaid managed care organizations to comply with RBC standards in accordance with regulations adopted by the Insurance Commissioner. Regulations must be adopted by July 1, 2001.

This bill takes effect July 1, 2000.

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**Fiscal Summary**

**State Effect:** The bill's requirements could be handled with existing budgeted resources of the Maryland Insurance Administration (MIA). Requiring Medicaid managed care organizations to maintain a minimum level of capital as determined by RBC standards would not affect Medicaid finances.

**Local Effect:** None.

**Small Business Effect:** The Maryland Insurance Administration has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill).

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## Analysis

**Bill Summary:** This bill applies RBC standards to carriers and gives the Insurance Commissioner authority to enforce the RBC standards. If a carrier allows a “mandatory control level event” to occur, the bill authorizes the Insurance Commissioner to take any action necessary to place the carrier under conservation, rehabilitation, or liquidation. A “mandatory control level event” occurs when an insurer has less total adjusted capital than is required by the RBC standards.

**Current Law:** All life insurers and property and casualty insurers must comply with RBC standards. HMOs are not subject to RBC standards, but they are subject to the provisions in §19-710 Health-General, which require an HMO to maintain a surplus of \$750,000 or 5% of the subscription charges earned during the prior calendar year, whichever is greater.

**Background:** In September 1998, NAIC adopted an RBC formula to be applied to managed care organizations. The NAIC RBC requirement aggregates risk measures for an insurer’s various assets, liabilities, and other risks into a single number which represents the level of capital required to support the insurer’s operating, financial, and business risks. The RBC standards are intended to prevent insolvencies and provide the MIA with early warnings of potential solvency problems.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** HB 92 (Departmental - Insurance Administration, Maryland) - Economic Matters.

**Information Source(s):** Department of Health and Mental Hygiene (Office of Health Care Quality), Maryland Insurance Administration, Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

**Fiscal Note History:** First Reader - January 20, 2000  
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