

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

House Bill 92 (Chairman, Economic Matters Committee)
(Departmental - Insurance Administration, Maryland)

Economic Matters

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

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.

This bill takes effect July 1, 2000.

Fiscal Summary

State Effect: The bill's requirements could be handled with existing budgeted resources of the Maryland Insurance Administration (MIA).

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.)

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 insurer 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.

The bill also requires Medicaid managed care organizations to comply with RBC standards in accordance with regulations adopted by the Insurance Commissioner, in consultation with the Department of Health and Mental Hygiene. Regulations must be adopted by July 1, 2001.

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.

Additional Information

Prior Introductions: None.

Cross File: SB 60 (Departmental - Insurance Administration, Maryland) - Finance.

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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