SB 52

Department of Legislative Services

Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

Senate Bill 52 (Chairman, Finance Committee)
(Departmental - Insurance Administration, Maryland)
Finance

Health Insurance - Dental Plan Organizations

This departmental bill establishes specific capital and surplus amounts required for dental plan organizations.

Fiscal Summary

State Effect: Potential minimal general fund revenue increase due to the bill's penalty provisions. No effect on expenditures.

Local Effect: None.

Small Business Effect: The Maryland Insurance Administration (MIA) 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: The bill requires a dental plan organization (DPO) to maintain a surplus equal to the greater of: (1) $50,000; or (2) 2% of the DPO's annual gross premium income. The bill repeals the current bond requirement in lieu of a surplus. In addition, the bill requires a DPO to deposit with the Commissioner an amount equal to $25,000 plus 25% of the required surplus, subject to a cap of $100,000. These funds will be used: (1) to protect enrollees' interests in the event a DPO is in rehabilitation or conservation; and (2) in the event that a DPO is placed in receivership or liquidation. A DPO with no enrollees is not required to deposit funds with the Commissioner so long as the DPO had a certificate of authority as of January 1, 2000, maintains a current certificate of authority, and complies with all applicable laws and regulations. The bill also establishes a penalty provision which allows the Commissioner to impose a fine of $1,000 to $50,000 in situations where the Commissioner may suspend or revoke a DPO's certificate of authority.

Current Law: DPOs must obtain a bond or have a surplus for the protection of enrollees. The amount of the bond or surplus must equal the lesser of: (1) 7% of the annual gross contract and certificate income; or (2) $150,000. There are no provisions requiring a DPO to deposit cash or securities with the Commissioner, and no monetary penalty provisions if a DPO fails to comply with the surplus mandate. The Commissioner may only suspend or revoke a DPO's certificate of authority.

Background: Currently, when determining the amount of a DPO's gross contract and certificate income, the portion of income derived from enrollees who bear the full cost of the dental plan is excluded. Most DPOs generally derive most or all of their income from this arrangement. As a result, MIA is, in effect, requiring a bond or surplus that is 7% of no income. The bill's requirements will give enrollees and providers additional protection against plan insolvency and will decrease the likelihood that a plan would not be able to pay its claims.

Additional Information

Prior Introductions: None.

Cross File: HB 99 (Departmental - Insurance Administration, Maryland) - Economic Matters.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services, Department of Health and Mental Hygiene

Fiscal Note History: First Reader - January 18, 2000
mld/jr Revised - Senate Third Reader - March 27, 2000
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