HB 1041

Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 1041 (Delegates Busch and Hurson)
Economic Matters

Health Insurance - Acquisition of Nonprofit Health Entity

This emergency bill repeals the requirement that the Maryland Insurance Administration (MIA) consider whether an acquisition of a nonprofit health service plan or nonprofit HMO has been approved by at least two-thirds of the transferor's certificate holders who have voted on the acquisition.

If the Maryland Health Care Foundation receives a distribution of public or charitable assets as the result of the acquisition of a nonprofit health service plan or HMO after January 1, 2001, the foundation must perform a study to identify the unmet health care needs of Maryland citizens and the most effective means of addressing those unmet needs. The foundation must develop a proposal for the use of the assets and submit a report to the General Assembly by December 31, 2001. The foundation cannot spend or use any public or charitable assets received as a result of the acquisition of a nonprofit health service plan or HMO approved by MIA on or after January 1, 2001 until July 1, 2002.

The bill's provisions requiring the foundation to conduct a study sunset June 30, 2002.

Fiscal Summary

State Effect: Any expenses associated with conducting the required study are assumed to be minimal and could be handled with existing Maryland Healthcare Foundation resources. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The MIA must consider whether an acquisition of a nonprofit health service plan or nonprofit HMO has been approved by at least two-thirds of the transferor's certificate holders who have voted on the acquisition. The MIA does not have to take the two-thirds vote into consideration if the transaction is: (1) determined to not be an acquisition; (2) in the ordinary course of business; and (3) for fair value.

An acquisition is not in the public interest unless appropriate steps have been taken to ensure that the fair value of the public or charitable assets of a nonprofit health service plan or an HMO are distributed: (1) 100% to the Maryland Health Care Foundation; or (2) 40% to the foundation and 60% to a public or nonprofit charitable entity or trust.

Background: Chapters 123/124 of 1998 established a regulatory scheme for proposed acquisitions involving nonprofit health entities to ensure that in the event of a conversion, the public and charitable assets of the health entities are fully accounted for and properly distributed to the State for the benefit of the public.

Under current law, nonprofit health service plans in Maryland are exempt from the 2% tax on gross premiums. According to the MIA, there are nine nonprofit health service plans that do business in the State, the largest of which is CareFirst BlueCross BlueShield.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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jm/jr

Analysis by: Susan D. John

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510