

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

House Bill 1042 (Delegate Busch, *et al.*)

Economic Matters

Finance and Budget and Taxation

Health Insurance - Acquisition of Nonprofit Health Entity

This bill specifies that if a nonprofit health service plan or nonprofit HMO converts to or is acquired by a for-profit entity and subsequently transfers its charitable assets to the Maryland Health Care Foundation, the Maryland Health Care Trust is created to accept and retain funds for future initiatives aimed at improving the health status of Maryland residents. Assets may only be expended to implement acts of the General Assembly that specifically direct the use of the trust assets. The Maryland Health Care Foundation functions as the trustee, and the trust consists of public and charitable assets received by the foundation as a result of the acquisition, on or after June 1, 2001, of a nonprofit health service plan or a nonprofit HMO. Any interest accrued before July 1, 2002, not exceeding \$10 million, may be used by the foundation. The foundation must also report annually to the General Assembly on the status of the trust assets.

In addition, the bill also repeals the requirement that the Maryland Insurance Administration consider whether the acquisition of a nonprofit health service plan or HMO has been approved by at least two-thirds of the certificate holders who have voted on the acquisition.

The bill takes effect June 1, 2001.

Fiscal Summary

State Effect: Maryland Health Care Trust special fund revenues could increase significantly in FY 2002. No effect on expenditures.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: If a nonprofit health service plan or HMO converts to, or is acquired by, a public entity, the nonprofit entity must distribute: (1) 100% of the fair value of the public or charitable assets to the Maryland Health Care Foundation; or (2) 40% of the assets to the foundation and 60% to other public or nonprofit charitable entities that are dedicated to serving the unmet health care needs of Maryland.

The Maryland Health Care Foundation was established in 1997 (Chapter 180 of 1997) as a charitable, nonprofit organization to support efforts to increase and improve access to quality health care for the uninsured, underinsured, and medically underserved residents of Maryland. The foundation awards grants to help fund programs that expand access to health care for Marylanders without health insurance.

State Fiscal Effect: CareFirst Blue Cross Blue Shield of Maryland, the largest nonprofit health service plan in Maryland may convert to a for-profit entity and may do so this year. If it does, CareFirst must distribute its charitable assets to the foundation. If CareFirst goes public, the Maryland Health Care Trust would receive these funds. According to recent published reports, CareFirst could distribute hundreds of millions of dollars to the trust. The money would be available to fund public health initiatives as directed by acts of the General Assembly. Any money received from CareFirst's potential conversion are not expected to be expended until fiscal 2003. Future year expenditures would depend on the types of health programs implemented by acts of the General Assembly.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader – February 26, 2001
mld/sp Revised – House Third Reader – April 2, 2001
Revised – Enrolled Bill – May 7, 2001

Analysis by: Susan D. John

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