

HOUSE BILL 141
EMERGENCY BILL

Unofficial Copy
J3

2002 Regular Session
2lr1072

By: **Delegate Morhaim**

Introduced and read first time: January 16, 2002

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 20, 2002

CHAPTER _____

1 AN ACT concerning

2 **Acquisition of Nonprofit Health Entities - Limitations on Officers, Directors,**
3 **and Trustees**

4 FOR the purpose of prohibiting officers, directors, ~~and~~ trustees, and employees of a
5 nonprofit health ~~entity~~ service plan from ~~benefiting~~ profiting from an
6 acquisition or proposed acquisition of that entity except in a certain manner;
7 specifying that a certain acquisition is not in the public interest unless certain
8 steps have been taken to ensure that certain officers, directors, trustees, and
9 employees do not profit from the acquisition or proposed acquisition except in a
10 certain manner; making this Act an emergency measure; and generally relating
11 to the acquisition of nonprofit health entities.

12 BY repealing and reenacting, with amendments,

13 Article - Insurance

14 Section 14-139(a)

15 Annotated Code of Maryland

16 (1997 Volume and 2001 Supplement)

17 BY repealing and reenacting, with amendments,

18 Article - State Government

19 Section 6.5-301(b)

20 Annotated Code of Maryland

21 (1999 Replacement Volume and 2001 Supplement)

22 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

23 MARYLAND, That the Laws of Maryland read as follows:

1 **Article - Insurance**

2 14-139.

3 (a) An officer, director, or employee of a corporation operating under this
4 subtitle may not:

5 (1) willfully violate a provision of this article or a regulation adopted
6 under this article;

7 (2) willfully misrepresent or conceal a material fact in a statement,
8 report, record, or communication submitted to the Commissioner;

9 (3) willfully misrepresent a material fact to the board of directors;

10 (4) misappropriate or fail to account properly for money that belongs to
11 the corporation, an insurer, insurance producer, subscriber, or certificate holder;

12 (5) engage in fraudulent or dishonest practices in connection with the
13 provision or administration of a health service plan;

14 (6) willfully fail to produce records or allow an examination under §
15 14-125 of this subtitle; [or]

16 (7) willfully fail to comply with a lawful order of the Commissioner; OR

17 (8) PROFIT FROM AN ACQUISITION OR PROPOSED ACQUISITION, AS
18 DEFINED UNDER § 6.5-101 OF THE STATE GOVERNMENT ARTICLE, IN THE FORM OF
19 ANY COMPENSATION ARRANGEMENT OTHER THAN A SALARY FROM THE
20 TRANSFeree IN EXCHANGE FOR FUTURE SERVICES TO THE COMPANY.

21 **Article - State Government**

22 6.5-301.

23 (b) An acquisition is not in the public interest unless appropriate steps have
24 been taken to:

25 (1) ensure that the value of public or charitable assets is safeguarded;

26 (2) ensure that:

27 (i) the fair value of the public or charitable assets of a nonprofit
28 health service plan or a health maintenance organization will be distributed to the
29 Maryland Health Care Foundation that was established in § 20-502 of the Health -
30 General Article; or

31 (ii) 1. 40% of the fair value of the public or charitable assets of a
32 nonprofit hospital will be distributed to the Maryland Health Care Foundation that
33 was established in § 20-502 of the Health - General Article; and

