22

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					
Acquisition of Nonprofit Health Entities - Limitations on Officers, Direct and Trustees	ors,				
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)					

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

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

1	Article - Insurance
2	<u>14-139.</u>
3	(a) An officer, director, or employee of a corporation operating under this subtitle may not:
5 6	(1) willfully violate a provision of this article or a regulation adopted under this article;
7 8	(2) willfully misrepresent or conceal a material fact in a statement, report, record, or communication submitted to the Commissioner;
9	(3) willfully misrepresent a material fact to the board of directors;
10 11	(4) misappropriate or fail to account properly for money that belongs to the corporation, an insurer, insurance producer, subscriber, or certificate holder;
12 13	(5) engage in fraudulent or dishonest practices in connection with the provision or administration of a health service plan;
14 15	(6) willfully fail to produce records or allow an examination under § 14-125 of this subtitle; [or]
16	(7) willfully fail to comply with a lawful order of the Commissioner; OR
19	(8) PROFIT FROM AN ACQUISITION OR PROPOSED ACQUISITION, AS DEFINED UNDER § 6.5-101 OF THE STATE GOVERNMENT ARTICLE, IN THE FORM OF ANY COMPENSATION ARRANGEMENT OTHER THAN A SALARY FROM THE TRANSFEREE IN EXCHANGE FOR FUTURE SERVICES TO THE COMPANY.
21	Article - State Government
22	6.5-301.
23 24	(b) An acquisition is not in the public interest unless appropriate steps have been taken to:
25	(1) ensure that the value of public or charitable assets is safeguarded;
26	(2) ensure that:
29	(i) the fair value of the public or charitable assets of a nonprofit health service plan or a health maintenance organization will be distributed to the Maryland Health Care Foundation that was established in § 20-502 of the Health - General Article; or
	(ii) 1. 40% of the fair value of the public or charitable assets of a nonprofit hospital will be distributed to the Maryland Health Care Foundation that was established in § 20-502 of the Health - General Article; and

HOUSE BILL 141

	nonprofit hospital will be that is:	2 e distribu		60% of the fair value of the public or charitable assets of a a public or nonprofit charitable entity or trust
4 5	affected community;	A	Λ.	dedicated to serving the unmet health care needs of the
6 7	affected community;	В	3.	dedicated to promoting access to health care in the
8 9	affected community; and	C	2.	dedicated to improving the quality of health care in the
10		D).	independent of the transferee; and
11	(3) en	sure tha	t :	
12 13	(-)			f the public or charitable assets of the acquisition inure tor, or trustee of a nonprofit health entity; AND
14	Œ	т 4	HE OF	FICERS, DIRECTORS, OR TRUSTEES OF THE NONPROFIT
	(VISE PROFIT FROM THE ACQUISITION
16	(4) EI	NSURE	THAT	NO OFFICER, DIRECTOR, TRUSTEE, OR EMPLOYEE OF
17				PERSONALLY PROFITS FROM THE ACQUISITION OR
18	PROPOSED ACQUISIT	ΓΙΟΝ IN	THE F	FORM OF ANY COMPENSATION ARRANGEMENT
19	OTHER THAN A SAL	ARY FR	OM TH	HE TRANSFEREE IN EXCHANGE FOR FUTURE
20	SERVICES TO THE CO	OMPAN	<u>IY</u> .	
21	SECTION 2. AND	BE IT F	URTHE	ER ENACTED, That this Act shall take effect
22	October 1 2002 is on on	nargana		era is nacessary for the immediate

- 22 October 1, 2002 is an emergency measure, is necessary for the immediate
- preservation of the public health or safety, has been passed by a yea and nay vote supported by three-fifths of all the members elected to each of the two Houses of the General Assembly, and shall take effect from the date it is enacted.