
By: **Delegates Mitchell, Love, McClenahan, Minnick, Owings, Pendergrass,
and Stern**

Introduced and read first time: February 4, 2002

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Nonprofit Health Service Plans - Board of Directors - Compensation**

3 FOR the purpose of establishing certain compensation levels for the chairmen and
4 members of the boards of directors of nonprofit health service plans; and
5 generally relating to nonprofit health service plans.

6 BY repealing and reenacting, with amendments,
7 Article - Insurance
8 Section 14-115
9 Annotated Code of Maryland
10 (1997 Volume and 2001 Supplement)

11 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
12 MARYLAND, That the Laws of Maryland read as follows:

13 **Article - Insurance**

14 14-115.

15 (a) (1) In this section the following words have the meanings indicated.

16 (2) "Board" means the board of directors of a nonprofit health service
17 plan.

18 (3) "Immediate family member" means a spouse, child, child's spouse,
19 parent, spouse's parent, sibling, or sibling's spouse.

20 (b) Subsections (c) through [(f)] (G) of this section apply to a nonprofit health
21 service plan that is incorporated under the laws of the State and operates under a
22 certificate of authority issued by the Commissioner under this subtitle.

23 (c) (1) The business and affairs of a nonprofit health service plan shall be
24 managed under the direction of a board of directors.

25 (2) The board and its individual members are fiduciaries and shall act:

- 1 (i) in good faith;
- 2 (ii) in a manner that is reasonably believed to be in the best
3 interests of the corporation; and
- 4 (iii) with the care that an ordinarily prudent person in a like
5 position would use under similar circumstances.
- 6 (3) An officer or employee of a nonprofit health service plan or any of its
7 affiliates or subsidiaries may not be appointed or elected to the board.
- 8 (4) A nonprofit health service plan is subject to the provisions of § 2-419
9 of the Corporations and Associations Article.
- 10 (d) (1) This subsection does not apply to a board of a nonprofit health service
11 plan that issues contracts for only one of the following services:
- 12 (i) podiatric;
- 13 (ii) chiropractic;
- 14 (iii) pharmaceutical;
- 15 (iv) dental;
- 16 (v) psychological; or
- 17 (vi) optometric.
- 18 (2) The board shall appoint two additional members to serve as voting
19 consumer members.
- 20 (3) Of the two consumer members, one shall be a subscriber and one
21 shall be a certificate holder of the nonprofit health service plan.
- 22 (4) Each consumer member of the board:
- 23 (i) shall be a member of the general public;
- 24 (ii) may not be considered an agent or employee of the State for any
25 purpose; and
- 26 (iii) is entitled to the same rights, powers, and privileges as the
27 other members of the board.
- 28 (5) A consumer member of the board may not:
- 29 (i) be a licensee of or otherwise be subject to regulation by the
30 Commissioner;
- 31 (ii) be employed by or have a financial interest in:

- 1 a nonprofit health service plan or its affiliates or
2 subsidiaries; or
- 3 2. a person regulated under this article or the Health -
4 General Article; or
- 5 (iii) within 1 year before appointment, have been employed by, had a
6 financial interest in, or have received compensation from:
- 7 1. a nonprofit health service plan or its affiliates or
8 subsidiaries; or
- 9 2. a person regulated under this article or the Health -
10 General Article.
- 11 (e) (1) This subsection does not apply to a board that has fewer than three
12 authorized members.
- 13 (2) The term of a member is 3 years.
- 14 (3) The terms of the members of a board shall be staggered over a 3-year
15 period as required by the terms provided for members of the board in the bylaws filed
16 and approved by the Commissioner on or after June 1, 1993.
- 17 (4) At the end of a term, a member continues to serve until a successor is
18 appointed and qualifies.
- 19 (5) A member who is appointed after a term has begun serves only for
20 the rest of the term and until a successor is appointed and qualifies.
- 21 (6) A member may not serve for more than:
- 22 (i) three full terms; or
- 23 (ii) a total of more than 9 years.
- 24 (7) A person may not be a member of the board if the person:
- 25 (i) has defaulted on the payment of a monetary obligation to the
26 nonprofit health service plan;
- 27 (ii) has been convicted of a criminal offense involving dishonesty or
28 breach of trust or a felony; or
- 29 (iii) habitually has neglected to pay debts.
- 30 (8) A member shall meet any other qualifications set forth in the bylaws
31 of the nonprofit health service plan.
- 32 (9) A member may not be an immediate family member of another board
33 member or an officer or employee of the nonprofit health service plan.

1 (10) The board shall elect a chairman from among its members.

2 (11) The membership of the board shall represent the different geographic
3 regions of the State.

4 (f) The board shall notify the Commissioner of any member who attends less
5 than 65% of the meetings of the board during a period of 12 consecutive months.

6 (G) THE CHAIRMAN OF THE BOARD IS ENTITLED TO RECEIVE AN AMOUNT
7 NOT TO EXCEED \$40,000 AS TOTAL COMPENSATION AND THE OTHER MEMBERS OF
8 THE BOARD ARE ENTITLED TO RECEIVE AN AMOUNT NOT TO EXCEED \$24,000 EACH
9 AS TOTAL COMPENSATION.

10 [(g)] (H) (1) This subsection does not apply to a board of a nonprofit health
11 service plan that has a premium income for the preceding year of less than
12 \$30,000,000.

13 (2) No more than 25% of a board may be:

14 (i) licensed health care professionals;

15 (ii) hospital administrators; and

16 (iii) employees of health care professionals or hospitals.

17 (3) The Commissioner may adopt regulations that limit the
18 representation of licensed health care professionals, hospital administrators, and
19 employees of health care professionals or hospitals on a subcommittee of the board in
20 accordance with paragraph (2) of this subsection.

21 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
22 June 1, 2002.