
By: **Delegate Dembrow**

Introduced and read first time: February 7, 2002

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Nonprofit Health Service Plans - Board Member and Officer Compensation**

3 FOR the purpose of requiring nonprofit health service plans to submit certain
4 information to the Maryland Insurance Commissioner for certain board
5 members and officers; authorizing the Commissioner to adopt certain
6 regulations that govern and limit certain compensation that may be paid by a
7 nonprofit health service plan to certain individuals; and generally relating to
8 nonprofit health service plans.

9 BY repealing and reenacting, with amendments,
10 Article - Insurance
11 Section 14-109 and 14-115
12 Annotated Code of Maryland
13 (1997 Volume and 2001 Supplement)

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

16 **Article - Insurance**

17 14-109.

18 An applicant for a certificate of authority shall:

19 (1) file with the Commissioner an application on the form that the
20 Commissioner provides containing the information that the Commissioner considers
21 necessary;

22 (2) pay to the Commissioner the applicable fee required by § 2-112 of
23 this article; and

24 (3) file with the Commissioner copies of the following documents,
25 certified by at least two of the executive officers of the corporation:

26 (i) articles of incorporation with all amendments;

1 (ii) bylaws with all amendments;

2 (iii) each contract executed or proposed to be executed by the
3 corporation and a health care provider, embodying the terms under which health care
4 services are to be furnished to subscribers to the plan;

5 (iv) each form of contract issued or proposed to be issued to
6 subscribers to the plan and a table of the rates charged or proposed to be charged to
7 subscribers for each form of contract;

8 (v) a financial statement of the corporation, including the amount
9 of each contribution paid or agreed to be paid to the corporation for working capital,
10 the name of each contributor, and the terms of each contribution;

11 (vi) a list of the names and addresses of and biographical
12 information about the members of the board of directors AND OFFICERS of the
13 nonprofit health service plan; [and]

14 (VII) A STATEMENT OF THE TYPE AND AMOUNT OF COMPENSATION
15 EARNED BY MEMBERS OF THE BOARD OF DIRECTORS AND OFFICERS OF THE
16 NONPROFIT HEALTH SERVICE PLAN; AND

17 [(vii)] (VIII) any other information or documents that the
18 Commissioner considers necessary to ensure compliance with this subtitle.

19 14-115.

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

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

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

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

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

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

31 (i) in good faith;

32 (ii) in a manner that is reasonably believed to be in the best
33 interests of the corporation; and

34 (iii) with the care that an ordinarily prudent person in a like
35 position would use under similar circumstances.

1 (3) An officer or employee of a nonprofit health service plan or any of its
2 affiliates or subsidiaries may not be appointed or elected to the board.

3 (4) A nonprofit health service plan is subject to the provisions of § 2-419
4 of the Corporations and Associations Article.

5 (d) (1) This subsection does not apply to a board of a nonprofit health service
6 plan that issues contracts for only one of the following services:

7 (i) podiatric;

8 (ii) chiropractic;

9 (iii) pharmaceutical;

10 (iv) dental;

11 (v) psychological; or

12 (vi) optometric.

13 (2) The board shall appoint two additional members to serve as voting
14 consumer members.

15 (3) Of the two consumer members, one shall be a subscriber and one
16 shall be a certificate holder of the nonprofit health service plan.

17 (4) Each consumer member of the board:

18 (i) shall be a member of the general public;

19 (ii) may not be considered an agent or employee of the State for any
20 purpose; and

21 (iii) is entitled to the same rights, powers, and privileges as the
22 other members of the board.

23 (5) A consumer member of the board may not:

24 (i) be a licensee of or otherwise be subject to regulation by the
25 Commissioner;

26 (ii) be employed by or have a financial interest in:

27 1. a nonprofit health service plan or its affiliates or
28 subsidiaries; or

29 2. a person regulated under this article or the Health -
30 General Article; or

1 (iii) within 1 year before appointment, have been employed by, had a
2 financial interest in, or have received compensation from:

3 1. a nonprofit health service plan or its affiliates or
4 subsidiaries; or

5 2. a person regulated under this article or the Health -
6 General Article.

7 (e) (1) This subsection does not apply to a board that has fewer than three
8 authorized members.

9 (2) The term of a member is 3 years.

10 (3) The terms of the members of a board shall be staggered over a 3-year
11 period as required by the terms provided for members of the board in the bylaws filed
12 and approved by the Commissioner on or after June 1, 1993.

13 (4) At the end of a term, a member continues to serve until a successor is
14 appointed and qualifies.

15 (5) A member who is appointed after a term has begun serves only for
16 the rest of the term and until a successor is appointed and qualifies.

17 (6) A member may not serve for more than:

18 (i) three full terms; or

19 (ii) a total of more than 9 years.

20 (7) A person may not be a member of the board if the person:

21 (i) has defaulted on the payment of a monetary obligation to the
22 nonprofit health service plan;

23 (ii) has been convicted of a criminal offense involving dishonesty or
24 breach of trust or a felony; or

25 (iii) habitually has neglected to pay debts.

26 (8) A member shall meet any other qualifications set forth in the bylaws
27 of the nonprofit health service plan.

28 (9) A member may not be an immediate family member of another board
29 member or an officer or employee of the nonprofit health service plan.

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

31 (11) The membership of the board shall represent the different geographic
32 regions of the State.

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

3 (G) THE COMMISSIONER MAY ADOPT REGULATIONS THAT GOVERN AND LIMIT
4 THE TYPE AND AMOUNT OF COMPENSATION THAT MAY BE PAID BY A NONPROFIT
5 HEALTH SERVICE PLAN TO MEMBERS OF THE BOARD OF DIRECTORS AND OFFICERS
6 OF A NONPROFIT HEALTH SERVICE PLAN.

7 [(g)] (H) (1) This subsection does not apply to a board of a nonprofit health
8 service plan that has a premium income for the preceding year of less than
9 \$30,000,000.

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

11 (i) licensed health care professionals;

12 (ii) hospital administrators; and

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

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

18 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
19 October 1, 2002.