

SENATE BILL 90

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2002 Regular Session  
2lr0046

(PRE-FILED)

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By: **Chairman, Finance Committee (Departmental - Insurance  
Administration, Maryland)**

Requested: October 26, 2001

Introduced and read first time: January 9, 2002

Assigned to: Finance

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A BILL ENTITLED

1 AN ACT concerning

2 **Health Insurance - Health Maintenance Organizations and Managed Care**  
3 **Organizations - Application of Acquisitions Disclosure and Control Act**

4 FOR the purpose of providing that the Maryland Insurance Acquisitions Disclosure  
5 and Control Act applies to health maintenance organizations and managed care  
6 organizations under certain circumstances; requiring the Maryland Insurance  
7 Commissioner to consult with the Secretary of Health and Mental Hygiene  
8 under certain circumstances; repealing certain provisions of law that require a  
9 person to comply with certain procedures before acquiring control of a domestic  
10 or foreign health maintenance organization; and generally relating to the  
11 application of the Maryland Insurance Acquisitions Disclosure and Control Act  
12 to health maintenance organizations and managed care organizations.

13 BY adding to

14 Article - Health - General  
15 Section 15-102.6 and 19-711(b)  
16 Annotated Code of Maryland  
17 (2000 Replacement Volume and 2001 Supplement)

18 BY repealing

19 Article - Health - General  
20 Section 19-711(b) and 19-711.2  
21 Annotated Code of Maryland  
22 (2000 Replacement Volume and 2001 Supplement)

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

1 **Article - Health - General**

2 15-102.6.

3 (A) SUBJECT TO SUBSECTION (B) OF THIS SECTION, THE PROVISIONS OF TITLE  
4 7 OF THE INSURANCE ARTICLE APPLY TO MANAGED CARE ORGANIZATIONS.5 (B) BEFORE APPROVING A TRANSACTION UNDER § 7-306 OF THE INSURANCE  
6 ARTICLE, THE COMMISSIONER SHALL CONSULT WITH THE SECRETARY.7 (C) THE PROVISIONS OF THIS SECTION MAY NOT APPLY TO ANY TRANSACTION  
8 PREEMPTED BY FEDERAL LAW.

9 19-711.

10 [(b) (1) A person shall comply with the procedures required by Title 7,  
11 Subtitles 3 and 4 of the Insurance Article to the extent applicable before:12 (i) That person may make a tender for or a request or invitation for  
13 tenders of or enter into an agreement to exchange securities for or acquire in the open  
14 market or otherwise, any voting security of a domestic health maintenance  
15 organization or enter into any other such agreement if, after the consummation  
16 thereof, that person would, directly or indirectly, or by conversion or by exercise of any  
17 right to acquire be in control of the domestic health maintenance organization; or18 (ii) That person may enter into an agreement to merge or  
19 consolidate with, or otherwise to acquire control of a domestic health maintenance  
20 organization.21 (2) (i) Approval by the Insurance Commissioner shall be governed by §  
22 7-306 of the Insurance Article.23 (ii) Prior to approval, the Insurance Commissioner shall consult  
24 with the Secretary of Health and Mental Hygiene.]25 (B) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, THE PROVISIONS  
26 OF TITLE 7 OF THE INSURANCE ARTICLE APPLY TO HEALTH MAINTENANCE  
27 ORGANIZATIONS.28 (2) BEFORE APPROVING A TRANSACTION UNDER § 7-306 OF THE  
29 INSURANCE ARTICLE, THE COMMISSIONER SHALL CONSULT WITH THE SECRETARY.

30 [19-711.2.

31 (a) A person shall comply with the procedures required by Title 7, Subtitles 3  
32 and 4 of the Insurance Article to the extent applicable before:33 (1) That person may make a tender for or a request or invitation for  
34 tenders of or enter into an agreement to exchange securities for or acquire in the open  
35 market or otherwise, any voting security of a foreign health maintenance  
36 organization that is authorized to do business in this State or enter into any other

1 such agreement if, after the consummation thereof, that person would, directly or  
2 indirectly, or by conversion or by exercise of any right to acquire be in control of the  
3 foreign health maintenance organization that is authorized to do business in this  
4 State; or

5           (2)       That person may enter into an agreement to merge or consolidate  
6 with, or otherwise to acquire control of, a foreign health maintenance organization  
7 that is authorized to do business in this State.

8       (b)       (1)       Approval by the Insurance Commissioner shall be governed by §  
9 7-306 of the Insurance Article.

10           (2)       Prior to approval, the Insurance Commissioner shall consult with the  
11 Secretary of Health and Mental Hygiene.

12       (c)       The provisions of this section may not apply:

13           (1)       To any transaction preempted by federal law; or

14           (2)       If the insurance commissioner in the jurisdiction in which the health  
15 maintenance organization is domiciled has authority under the law of that  
16 jurisdiction to investigate and approve a case in which a person would directly or  
17 indirectly, or by conversion or by exercise of any right to acquire be in control of the  
18 health maintenance organization or merge or consolidate with, or otherwise acquire  
19 control of the health maintenance organization and the Insurance Commissioner of  
20 this State receives notice from the insurance commissioner of the other jurisdiction of  
21 any such activities and has the right to request information and documents  
22 concerning those activities.]

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