

SENATE BILL 90

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2002 Regular Session  
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(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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Committee Report: Favorable with amendments  
Senate action: Adopted  
Read second time: March 19, 2002

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CHAPTER \_\_\_\_\_

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; requiring the Commissioner to adopt regulations  
9 establishing a reporting materiality threshold; authorizing the Commissioner to  
10 adopt certain regulations to implement certain provisions of this Act; repealing  
11 certain provisions of law that require a person to comply with certain procedures  
12 before acquiring control of a domestic or foreign health maintenance  
13 organization; providing that managed care organizations are not subject to  
14 certain provisions of this Act until a certain date; and generally relating to the  
15 application of the Maryland Insurance Acquisitions Disclosure and Control Act  
16 to health maintenance organizations and managed care organizations.

17 BY adding to  
18 Article - Health - General  
19 Section 15-102.6 and 19-711(b)  
20 Annotated Code of Maryland  
21 (2000 Replacement Volume and 2001 Supplement)

22 BY repealing  
23 Article - Health - General

1 Section 19-711(b) and 19-711.2  
2 Annotated Code of Maryland  
3 (2000 Replacement Volume and 2001 Supplement)

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

6 **Article - Health - General**

7 15-102.6.

8 (A) SUBJECT TO SUBSECTION (B) OF THIS SECTION, THE PROVISIONS OF TITLE  
9 7 OF THE INSURANCE ARTICLE APPLY TO MANAGED CARE ORGANIZATIONS.

10 (B) BEFORE APPROVING A TRANSACTION UNDER § 7-306 OF THE INSURANCE  
11 ARTICLE, THE INSURANCE COMMISSIONER SHALL CONSULT WITH THE SECRETARY.

12 (C) THE INSURANCE COMMISSIONER:

13 (1) SHALL ADOPT REGULATIONS ESTABLISHING A REPORTING  
14 MATERIALITY THRESHOLD; AND

15 (2) MAY ADOPT REGULATIONS NECESSARY TO IMPLEMENT THE  
16 PROVISIONS OF THIS SECTION.

17 ~~(C)~~ (D) THE PROVISIONS OF THIS SECTION MAY NOT APPLY TO ANY  
18 TRANSACTION PREEMPTED BY FEDERAL LAW.

19 19-711.

20 [(b) (1) A person shall comply with the procedures required by Title 7,  
21 Subtitles 3 and 4 of the Insurance Article to the extent applicable before:

22 (i) That person may make a tender for or a request or invitation for  
23 tenders of or enter into an agreement to exchange securities for or acquire in the open  
24 market or otherwise, any voting security of a domestic health maintenance  
25 organization or enter into any other such agreement if, after the consummation  
26 thereof, that person would, directly or indirectly, or by conversion or by exercise of any  
27 right to acquire be in control of the domestic health maintenance organization; or

28 (ii) That person may enter into an agreement to merge or  
29 consolidate with, or otherwise to acquire control of a domestic health maintenance  
30 organization.

31 (2) (i) Approval by the Insurance Commissioner shall be governed by §  
32 7-306 of the Insurance Article.

33 (ii) Prior to approval, the Insurance Commissioner shall consult  
34 with the Secretary of Health and Mental Hygiene.]

1 (B) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, THE PROVISIONS  
2 OF TITLE 7 OF THE INSURANCE ARTICLE APPLY TO HEALTH MAINTENANCE  
3 ORGANIZATIONS.

4 (2) BEFORE APPROVING A TRANSACTION UNDER § 7-306 OF THE  
5 INSURANCE ARTICLE, THE INSURANCE COMMISSIONER SHALL CONSULT WITH THE  
6 SECRETARY.

7 [19-711.2.

8 (a) A person shall comply with the procedures required by Title 7, Subtitles 3  
9 and 4 of the Insurance Article to the extent applicable before:

10 (1) That person may make a tender for or a request or invitation for  
11 tenders of or enter into an agreement to exchange securities for or acquire in the open  
12 market or otherwise, any voting security of a foreign health maintenance  
13 organization that is authorized to do business in this State or enter into any other  
14 such agreement if, after the consummation thereof, that person would, directly or  
15 indirectly, or by conversion or by exercise of any right to acquire be in control of the  
16 foreign health maintenance organization that is authorized to do business in this  
17 State; or

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

21 (b) (1) Approval by the Insurance Commissioner shall be governed by §  
22 7-306 of the Insurance Article.

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

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

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

27 (2) If the insurance commissioner in the jurisdiction in which the health  
28 maintenance organization is domiciled has authority under the law of that  
29 jurisdiction to investigate and approve a case in which a person would directly or  
30 indirectly, or by conversion or by exercise of any right to acquire be in control of the  
31 health maintenance organization or merge or consolidate with, or otherwise acquire  
32 control of the health maintenance organization and the Insurance Commissioner of  
33 this State receives notice from the insurance commissioner of the other jurisdiction of  
34 any such activities and has the right to request information and documents  
35 concerning those activities.]

36 SECTION 2. AND BE IT FURTHER ENACTED, That a managed care  
37 organization is not subject to the provisions of § 15-102.6 of the Health - General  
38 Article, as enacted by Section 1 of this Act, until the effective date of the regulations

1 that the Maryland Insurance Commissioner is required to adopt under §  
2 15-102.6(c)(1) of the Health - General Article, as enacted by Section 1 of this Act.

3 SECTION ~~2~~ 3. AND BE IT FURTHER ENACTED, That this Act shall take  
4 effect October 1, 2002.