

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 628
Economic Matters

(Delegate Mitchell, *et al.*)

Nonprofit Health Service Plans - Board of Directors - Compensation

This bill provides total compensation limits for board members of a nonprofit health service plan. A plan's chairman of the board may receive an amount not to exceed \$40,000 and the other members of the board may receive an amount not to exceed \$24,000 each as total compensation.

The bill takes effect June 1, 2002.

Fiscal Summary

State Effect: The bill would not substantively change State activities or operations.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The business and affairs of a nonprofit health service plan must be managed under the direction of a board of directors. There are no limits imposed on member compensation. The Insurance Commissioner may revoke a plan's certificate of authority to operate in this State if the Commissioner has reason to believe the plan is not complying with any provision of the Insurance Article.

Background: Maryland's largest nonprofit health service plan is CareFirst BlueCross BlueShield. According to CareFirst's 2000 annual report and Maryland Insurance

Administration (MIA) records on the compensation of directors and officers of CareFirst, Inc., there were 24 members of the board. The chairman of the board was paid \$71,964 in 2000, and the average compensation of the other 23 board members was \$35,920. In 2000, the total compensation of the President and CEO of CareFirst BlueCross BlueShield was \$2,013,521.

Comparatively, the Injured Workers' Insurance Fund (IWIF), a statutorily-created independent insurer of last resort for workers' compensation coverage in Maryland, has nine board members as prescribed in statute. IWIF also sells workers' compensation coverage in the commercial market. IWIF pays its chairman of the board \$15,862 and the board secretary is paid \$14,729. The other seven board members are each paid \$13,496 per year.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Insurance Administration, *Annual Report of CareFirst, Inc., 2000*; Department of Legislative Services

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