

**Department of Legislative Services**

Maryland General Assembly

2002 Session

**FISCAL NOTE**

House Bill 799

(Delegate Dembrow)

Economic Matters

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

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This bill requires a nonprofit health service plan, when applying for its certificate of authority from the Insurance Commissioner, to include a statement of the type and amount of compensation earned by the plan's board of directors and officers. The Insurance Commissioner may adopt regulations that govern and limit the type and amount of compensation that may be paid by a plan to the members of its board of directors and officers.

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**Fiscal Summary**

**State Effect:** The adoption of regulations could be handled with existing Maryland Insurance Administration (MIA) resources. No effect on revenues.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** An entity that desires to operate as a nonprofit health service plan must file an application with the Insurance Commissioner to receive a certificate of authority. A nonprofit health service plan cannot issue health insurance contracts without a certificate of authority. The application must include such plan information as: its articles of incorporation, bylaws, financial statements, and names and addresses of the members of the board of directors.

Each nonprofit health service plan must file an annual financial statement with the Insurance Commissioner that includes the names, addresses, and biographical information about the members of the board of directors as well as the total compensation, including all cash, deferred compensation, and salary of each member of the board of directors and each officer of the nonprofit health service plan.

**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 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.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 19, 2002  
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