

HOUSE BILL 803
EMERGENCY BILL

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2003 Regular Session
3r2004

By: **Delegate Hurson**

Introduced and read first time: February 7, 2003

Assigned to: Health and Government Operations

A BILL ENTITLED

1 AN ACT concerning

2 **Maryland Health Insurance Plan and Senior Prescription Drug Program -**
3 **Modifications and Clarifications**

4 FOR the purpose of altering the responsibilities of the Health Services Cost Review
5 Commission with respect to funding for the Maryland Health Insurance Plan;
6 clarifying the fiscal year used in calculating the funding for the Plan;
7 authorizing the Board of Directors for the Maryland Health Insurance Plan to
8 allow the Plan administrator to use premiums collected from enrollees to pay
9 certain claims; requiring the administrator to deposit premiums in a certain
10 account and to keep certain records; requiring the administrator, under certain
11 circumstances, to deposit a certain amount in the Maryland Health Insurance
12 Plan Fund; authorizing the Board to make a certain adjustment under certain
13 circumstances; authorizing premiums collected for the Senior Prescription Drug
14 Program to be deposited into a certain account; making this Act an emergency
15 measure; and generally relating to the Maryland Health Insurance Plan and
16 Senior Prescription Drug Program.

17 BY repealing and reenacting, with amendments,
18 Article - Health - General
19 Section 19-219(d)
20 Annotated Code of Maryland
21 (2000 Replacement Volume and 2002 Supplement)

22 BY repealing and reenacting, with amendments,
23 Article - Insurance
24 Section 14-504, 14-505, and 14-513
25 Annotated Code of Maryland
26 (2002 Replacement Volume and 2002 Supplement)

27 BY repealing and reenacting, with amendments,
28 Chapter 153 of the Acts of the General Assembly of 2002
29 Section 10

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

3 **Article - Health - General**

4 19-219.

5 (d) (1) In this subsection, "base hospital rate" means the aggregate value to
6 participating commercial health insurance carriers of the substantial, available, and
7 affordable coverage purchaser differential as determined by the Commission for the
8 calendar year 2002.

9 (2) The Commission, in accordance with this subsection, shall
10 [determine and collect] CALCULATE THE AMOUNT OF funds necessary to operate and
11 administer the Maryland Health Insurance Plan established under Title 14, Subtitle
12 5 of the Insurance Article.

13 (3) (i) The Commission shall determine the percentage of total net
14 patient revenue received in calendar year 2002 by all hospitals for which the
15 Commission approved hospital rates that is represented by the base hospital rate.

16 (ii) The percentage under subparagraph (i) of this paragraph shall
17 be determined by dividing the base hospital rate by the total net patient revenue
18 received in calendar year 2002 by all hospitals for which the Commission approved
19 hospital rates.

20 (4) On or before May 1 of each year, the Commission shall:

21 (i) Determine the amount of funding to allocate to the Maryland
22 Health Insurance Plan by multiplying the percentage determined under paragraph
23 (3) of this subsection by the value of the total net patient revenues received in the
24 immediately preceding STATE fiscal year by all hospitals for which rates were
25 approved by the Commission; and

26 (ii) Determine the share of total funding owed by each hospital for
27 which rates have been approved by the Commission proportionate to the percentage
28 of the base hospital rate attributable to each hospital.

29 (5) Each hospital shall remit monthly one-twelfth of the amount
30 determined under paragraph (4)(ii) of this subsection to the Maryland Health
31 Insurance Plan Fund.

32 **Article - Insurance**

33 14-504.

34 (a) (1) There is a Maryland Health Insurance Plan Fund.

35 (2) The Fund is a special nonlapsing fund that is not subject to § 7-302 of
36 the State Finance and Procurement Article.

1 (3) The Treasurer shall separately hold and the Comptroller shall
2 account for the Fund.

3 (4) The Fund shall be invested and reinvested at the direction of the
4 Board in a manner that is consistent with the requirements of Title 5, Subtitle 6 of
5 this article.

6 (5) Any investment earnings shall be retained to the credit of the Fund.

7 (6) On an annual basis, the Fund shall be subject to an independent
8 actuarial review setting forth an opinion relating to reserves and related actuarial
9 items held in support of policies and contracts.

10 (7) The Fund shall be used only to provide funding for the purposes
11 authorized under this subtitle.

12 (b) The Fund shall consist of:

13 (1) premiums for coverage that the Plan issues;

14 (2) premiums paid by enrollees of the Senior Prescription Drug Program;

15 (3) money collected in accordance with § 19-219 of the Health - General
16 Article;

17 (4) money deposited by a carrier in accordance with § 14-513 of this
18 subtitle;

19 (5) income from investments that the Board makes or authorizes on
20 behalf of the Fund;

21 (6) interest on deposits or investments of money from the Fund; and

22 (7) money collected by the Board as a result of legal or other actions
23 taken by the Board on behalf of the Fund.

24 (C) (1) THE BOARD MAY ALLOW THE ADMINISTRATOR TO USE PREMIUMS
25 COLLECTED BY THE ADMINISTRATOR FROM PLAN ENROLLEES TO PAY CLAIMS FOR
26 PLAN ENROLLEES.

27 (2) THE ADMINISTRATOR:

28 (I) SHALL DEPOSIT ALL PREMIUMS FOR PLAN ENROLLEES IN A
29 SEPARATE ACCOUNT FOR THE MARYLAND HEALTH INSURANCE PLAN; AND

30 (II) MAY USE MONEY IN THE ACCOUNT ONLY TO PAY CLAIMS FOR
31 PLAN ENROLLEES.

32 (3) THE ADMINISTRATOR SHALL KEEP COMPLETE AND ACCURATE
33 RECORDS OF ALL TRANSACTIONS FOR THE SEPARATE ACCOUNT.

1 (4) BY THE 15TH OF THE FOLLOWING MONTH, IF MONTHLY PREMIUMS
2 COLLECTED BY THE ADMINISTRATOR EXCEED MONTHLY CLAIMS RECEIVED, THE
3 ADMINISTRATOR SHALL DEPOSIT THE REMAINING BALANCE, INCLUDING INTEREST,
4 FOR THAT MONTH IN THE FUND.

5 [(c)] (D) The Board shall take steps necessary to ensure that Plan enrollment
6 does not exceed the number of enrollees the Plan has the financial capacity to insure.

7 [(d)] (E) (1) In addition to the operation and administration of the Plan, the
8 Fund shall be used for the operation and administration of the Senior Prescription
9 Drug Program established under Part II of this subtitle.

10 (2) The Board shall maintain separate accounts within the Fund for the
11 Senior Prescription Drug Program and the Maryland Health Insurance Plan.

12 (3) Accounts within the Fund shall contain those moneys that are
13 intended to support the operation of the Program for which the account is designated.

14 [(e)] (F) A debt or obligation of the Plan is not a debt of the State or a pledge
15 of credit of the State.

16 14-505.

17 (a) (1) The Board shall establish a standard benefit package to be offered by
18 the Plan.

19 (2) The Board may exclude from the benefit package:

20 (i) a health care service, benefit, coverage, or reimbursement for
21 covered health care services that is required under this article or the Health -
22 General Article to be provided or offered in a health benefit plan that is issued or
23 delivered in the State by a carrier; or

24 (ii) reimbursement required by statute, by a health benefit plan for
25 a service when that service is performed by a health care provider who is licensed
26 under the Health Occupations Article and whose scope of practice includes that
27 service.

28 (b) (1) The Board shall establish a premium rate for Plan coverage subject to
29 review and approval by the Commissioner.

30 (2) The premium rate may vary only on the basis of family composition.

31 (3) IF THE BOARD DETERMINES THAT A STANDARD RISK RATE WOULD
32 CREATE MARKET DISLOCATION, THE BOARD MAY ADJUST THE PREMIUM RATE
33 BASED ON MEMBER AGE.

34 (c) (1) The Board shall determine a standard risk rate by considering the
35 premium rates charged by carriers in the State for coverage comparable to that of the
36 Plan.

1 (2) The premium rate for Plan coverage:

2 (i) may not be less than 110% of the standard risk rate established
3 under paragraph (1) of this subsection; and

4 (ii) may not exceed 200% of the standard risk rate.

5 (3) Premium rates shall be reasonably calculated to encourage
6 enrollment in the Plan.

7 (d) Losses incurred by the Plan shall be subsidized by the Fund.

8 14-513.

9 (a) [Premiums] AS DETERMINED BY THE BOARD, PREMIUMS collected for the
10 Program shall be deposited:

11 (1) to a segregated account in the Fund established under § 14-504 of
12 this subtitle; OR

13 (2) TO A SEPARATE ACCOUNT FOR THE PROGRAM ESTABLISHED BY THE
14 CARRIER THAT ADMINISTERS THE PROGRAM.

15 (b) In addition to premium income, the segregated account shall include:

16 (1) interest and investment income attributable to Program funds; and

17 (2) money deposited to the account by the carrier that administers the
18 Program in accordance with subsection (c) of this section.

19 (c) (1) On or before April 1, 2003 and quarterly thereafter, the Program
20 Administrator shall deposit to the Fund under § 14-504 of this subtitle[:

21 (i) premiums collected; and

22 (ii)] the amount, in excess of premiums collected, that is necessary
23 to operate and administer the Program for the following quarter.

24 (2) The amount deposited shall be determined by the Board based on
25 enrollment, expenditures, and revenue for the previous year.

26 (3) The amount required by the Board under paragraph (2) of this
27 subsection may not exceed the value of the Program Administrator's annual premium
28 tax exemption under § 6-101(b) of this article.

29 (4) Beginning July 1 of each year and quarterly thereafter, the Board
30 shall reimburse the Administrator for prescription drug claims and administrative
31 expenses incurred on behalf of the Program.

32 (5) Any rebates or other discounts obtained by the Program
33 Administrator as a result of prescription drug purchases on behalf of Program

1 enrollees from a pharmaceutical benefit manager or pharmaceutical manufacturer
2 shall inure to the benefit of the Program and be deposited to the Fund.

3

Chapter 153 of the Acts of 2002

4 SECTION 10. AND BE IT FURTHER ENACTED, That:

5 (1) The Health Services Cost Review Commission shall approve the
6 substantial, available, and affordable coverage (SAAC) purchaser differential through
7 March 31, 2003 for each carrier participating in the SAAC program, as long as the
8 carrier complies with the laws and regulations governing the SAAC program.

9 (2) For the final quarter of fiscal year 2003, the Health Services Cost Review
10 Commission:

11 (i) may not allow any carrier to receive a SAAC purchaser differential;

12 (ii) may not adjust hospital rates to reflect the elimination of any SAAC
13 purchaser differential; AND

14 (III) SHALL DETERMINE THE AMOUNT EQUAL TO THE VALUE OF THE
15 SAAC PURCHASER DIFFERENTIAL FOR EACH HOSPITAL FOR WHICH RATES HAVE
16 BEEN APPROVED BY THE COMMISSION.

17 (3) FOR THE FINAL QUARTER OF FISCAL YEAR 2003, THE MARYLAND HEALTH
18 INSURANCE PLAN:

19 [(iii)] (I) shall collect from each hospital for which rates are established
20 by the Commission an amount equal to the value of the SAAC purchaser differential
21 AS DETERMINED UNDER ITEM (2)(III) OF THIS SECTION and deposit that AMOUNT
22 [money, minus the losses and fees paid to SAAC carriers for the quarter,] into the
23 Maryland Health Insurance Plan Fund;

24 [(iv)] (II) shall establish a methodology for reimbursing each carrier for
25 losses incurred within the quarter that are attributable to SAAC enrollees; and

26 [(v)] (III) shall reimburse each carrier for losses incurred within the
27 quarter and pay each carrier an administration fee equal to 20% of premiums
28 collected for the quarter.

29 [(3)] (4) For calendar year 2002:

30 (i) a carrier that participates in the SAAC program through a health
31 maintenance organization product may not be required to hold an open enrollment
32 period for eligible individuals; and

33 (ii) a carrier that participates in the SAAC program through a preferred
34 provider organization product shall hold one 30-day open enrollment period for
35 eligible individuals in June 2002 and one 30-day open enrollment period for eligible
36 individuals in December 2002.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act is an emergency
2 measure, is necessary for the immediate preservation of the public health or safety,
3 has been passed by a yea and nay vote supported by three-fifths of all the members
4 elected to each of the two Houses of the General Assembly, and shall take effect from
5 the date it is enacted.