
By: **Delegates Pendergrass and Mitchell**

Rules suspended

Introduced and read first time: March 13, 2003

Rules suspended

Assigned to: Health and Government Operations

A BILL ENTITLED

1 AN ACT concerning

2 **Health Insurance - Nonprofit Health Service Plans - Reform**

3 FOR the purpose of altering certain provisions relating to the regulation of nonprofit
4 health service plans; specifying the purpose of certain provisions of law;
5 specifying that certain nonprofit health service plans are exempt from certain
6 taxes; establishing the mission of nonprofit health service plans; requiring a
7 nonprofit health service plan to develop certain goals, objectives, and strategies;
8 requiring a nonprofit health service plan to report quarterly to a certain
9 oversight committee and provide certain information to the oversight committee
10 for a certain purpose; exempting certain nonprofit health service plans from
11 certain public service requirements; specifying the manner in which certain
12 nonprofit health service plans can satisfy certain requirements; requiring
13 certain nonprofit health service plans to perform certain functions; repealing a
14 requirement that the Insurance Commissioner follow certain procedures after
15 making a certain determination; requiring the Insurance Commissioner to issue
16 an order to require that a nonprofit health service plan pay a certain premium
17 tax for a certain period of time under certain circumstances; specifying the use
18 of certain premium tax revenue collected by the Maryland Insurance
19 Administration; specifying information that certain applicants for a certificate
20 of authority must submit; specifying certain criteria that the Insurance
21 Commissioner shall consider when issuing a certain certificate of authority;
22 prohibiting the Insurance Commissioner from renewing a certain certificate of
23 authority except under certain circumstances; specifying certain activities in
24 which a certain corporation may engage; specifying that certain members of a
25 certain board of directors are fiduciaries on behalf of a certain corporation;
26 specifying the manner in which certain board members shall act; specifying the
27 principal functions of a certain board; specifying the number and composition of
28 members on a certain board; specifying the manner in which certain board
29 members shall be chosen; requiring a certain board to establish certain
30 committees; prohibiting certain board members from chairing a committee after
31 a certain date; altering the term of certain board members beginning on a
32 certain date; altering the maximum term of certain board members; specifying
33 that the compensation of certain directors and officers shall meet a certain

1 requirement; altering the maximum representation of certain individuals on a
2 certain board; establishing a Joint BlueCross and BlueShield Oversight
3 Committee; specifying the number and composition of the Committee; providing
4 for the appointment of co-chairmen of and staff assistance for the Committee;
5 requiring the Committee to undertake a certain examination and evaluation to
6 meet certain goals; requiring the Committee to submit a certain annual report
7 in a certain manner and on or before certain dates; providing for the termination
8 of the terms of certain board members and for replacement of those members;
9 and generally relating to nonprofit health service plans.

10 BY repealing and reenacting, with amendments,
11 Article - Insurance
12 Section 14-102, 14-106, 14-107, 14-109 through 14-111, 14-115, and 14-504(b)
13 Annotated Code of Maryland
14 (2002 Replacement Volume and 2002 Supplement)

15 BY repealing and reenacting, without amendments,
16 Article - Insurance
17 Section 14-504(a)
18 Annotated Code of Maryland
19 (2002 Replacement Volume and 2002 Supplement)

20 BY adding to
21 Article - State Government
22 Section 2-10A-08
23 Annotated Code of Maryland
24 (1999 Replacement Volume and 2002 Supplement)

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

27 **Article - Insurance**

28 14-102.

29 (A) THE PURPOSE OF THIS SUBTITLE IS:

30 (1) TO REGULATE THE FORMATION AND OPERATION OF NONPROFIT
31 HEALTH SERVICE PLANS IN THE STATE; AND

32 (2) TO PROMOTE THE FORMATION AND EXISTENCE OF NONPROFIT
33 HEALTH SERVICE PLANS IN THE STATE THAT:

34 (I) ARE COMMITTED TO A NONPROFIT CORPORATE STRUCTURE;

1 (II) SEEK TO PROVIDE INDIVIDUALS, BUSINESSES, AND OTHER
2 GROUPS WITH THE MOST AFFORDABLE AND ACCESSIBLE HEALTH INSURANCE
3 POSSIBLE; AND

4 (III) RECOGNIZE A RESPONSIBILITY TO CONTRIBUTE TO THE
5 IMPROVEMENT OF THE OVERALL HEALTH STATUS OF MARYLAND RESIDENTS.

6 (B) A NONPROFIT HEALTH SERVICE PLAN THAT COMPLIES WITH THE
7 PROVISIONS OF THIS SUBTITLE IS DECLARED TO BE A PUBLIC BENEFIT
8 CORPORATION THAT IS EXEMPT FROM TAXATION AS PROVIDED BY LAW.

9 (C) THE MISSION OF A NONPROFIT HEALTH SERVICE PLAN SHALL BE TO:

10 (1) PROVIDE HEALTH INSURANCE AT AFFORDABLE PRICES THROUGH
11 EMPLOYER AND OTHER GROUP AND INDIVIDUAL PRODUCTS;

12 (2) ASSIST AND SUPPORT PUBLIC AND PRIVATE HEALTH CARE
13 INITIATIVES FOR INDIVIDUALS WITHOUT HEALTH INSURANCE; AND

14 (3) PROMOTE THE INTEGRATION OF A STATEWIDE HEALTH CARE
15 SYSTEM THAT MEETS THE HEALTH CARE NEEDS OF ALL MARYLAND CITIZENS.

16 (D) A NONPROFIT HEALTH SERVICE PLAN SHALL:

17 (1) DEVELOP GOALS, OBJECTIVES, AND STRATEGIES FOR CARRYING
18 OUT ITS STATUTORY MISSION;

19 (2) REPORT QUARTERLY ON OR BEFORE OCTOBER 1, 2003 THROUGH
20 OCTOBER 1, 2006 TO THE JOINT BLUE CROSS AND BLUESHIELD OVERSIGHT
21 COMMITTEE ON ITS PERFORMANCE; AND

22 (3) PROVIDE TO THE JOINT BLUECROSS AND BLUESHIELD OVERSIGHT
23 COMMITTEE ANY OTHER INFORMATION NECESSARY FOR THE COMMITTEE TO MEET
24 THE GOALS OUTLINED UNDER § 2-10A-08 OF THE STATE GOVERNMENT ARTICLE.

25 (E) A corporation without capital stock organized for the purpose of
26 establishing, maintaining, and operating a nonprofit health service plan through
27 which health care providers provide health care services to subscribers to the plan
28 under contracts that entitle each subscriber to certain health care services shall be
29 governed and regulated by:

30 (1) this subtitle;

31 (2) Title 2, Subtitle 2 of this article and §§ 1-206, 3-127, and 12-210 of
32 this article;

33 (3) Title 2, Subtitle 5 of this article;

34 (4) §§ 4-113 and 4-114 of this article;

35 (5) Title 5, Subtitles 1, 2, 3, 4, and 5 of this article;

- 1 (6) Title 7 of this article, except for § 7-706 and Subtitle 2 of Title 7;
- 2 (7) Title 9, Subtitles 1, 2, and 4 of this article;
- 3 (8) Title 10, Subtitle 1 of this article;
- 4 (9) Title 27 of this article; and
- 5 (10) any other provision of this article that:
- 6 (i) is expressly referred to in this subtitle;
- 7 (ii) expressly refers to this subtitle; or
- 8 (iii) expressly refers to nonprofit health service plans or persons
- 9 subject to this subtitle.
- 10 14-106.

11 (a) It is the public policy of this State that the exemption from taxation for

12 nonprofit health service plans under § 6-101(b)(1) of this article is granted so that

13 funds which would otherwise be collected by the State and spent for a public purpose

14 shall be used in a like manner and amount by the nonprofit health service plan.

15 (b) This section does not apply to a nonprofit health service plan that insures

16 [fewer than] BETWEEN 1 AND 10,000 covered lives in Maryland OR ISSUES

17 CONTRACTS FOR ONLY ONE OF THE FOLLOWING SERVICES:

- 18 (1) PODIATRIC;
- 19 (2) CHIROPRACTIC;
- 20 (3) PHARMACEUTICAL;
- 21 (4) DENTAL;
- 22 (5) PSYCHOLOGICAL; OR
- 23 (6) OPTOMETRIC.

24 (c) By March 1 of each year or a deadline otherwise imposed by the

25 Commissioner for good cause, each nonprofit health service plan shall file with the

26 Commissioner a premium tax exemption report that:

- 27 (1) is in a form approved by the Commissioner; and
- 28 (2) demonstrates that the plan has used funds equal to the value of the
- 29 premium tax exemption provided to the plan under § 6-101(b) of this article, in a
- 30 manner that serves the public interest in accordance with [subsections (d) and (e) of]
- 31 this section.

1 (d) A nonprofit health service plan may satisfy the public service requirement
2 [in subsection (c)(2)] of this section by establishing that the plan has:

3 (1) increased access to, or the affordability of, one or more health care
4 products or services by offering and selling health care products or services that are
5 not required or provided for by law; [or]

6 (2) PROVIDED FINANCIAL OR IN-KIND SUPPORT FOR PUBLIC HEALTH
7 PROGRAMS;

8 (3) EMPLOYED UNDERWRITING STANDARDS IN A MANNER THAT
9 INCREASES THE AVAILABILITY OF ONE OR MORE HEALTH CARE SERVICES OR
10 PRODUCTS;

11 (4) EMPLOYED PRICING POLICIES THAT ENHANCE THE AFFORDABILITY
12 OF HEALTH CARE SERVICES OR PRODUCTS AND RESULT IN A HIGHER MEDICAL LOSS
13 RATIO THAN THAT ESTABLISHED BY A COMPARABLE FOR-PROFIT HEALTH INSURER;
14 OR

15 [(2)] (5) served the public interest by any method or practice approved
16 by the Commissioner.

17 (e) [(1)] [A] NOTWITHSTANDING SUBSECTION (D) OF THIS SECTION, A
18 nonprofit health service plan that is subject to this section and issues comprehensive
19 health care benefits in the State shall:

20 (1) OFFER A COMPREHENSIVE BENEFIT, OPEN ENROLLMENT PRODUCT
21 IN THE INDIVIDUAL MARKET;

22 (2) OFFER AN OPEN ENROLLMENT PRODUCT IN THE SMALL EMPLOYER
23 GROUP MARKET IN ACCORDANCE WITH TITLE 15, SUBTITLE 12 OF THIS ARTICLE; AND

24 (3) administer and subsidize the Senior Prescription Drug Program
25 established under Title 14, Subtitle 5, Part II of this title.

26 [(2)] (F) The subsidy required under the Senior Prescription Drug Program
27 may not exceed the value of the nonprofit health service plan's premium tax
28 exemption under § 6-101(b) of this article.

29 [(f)] (G) Each report filed with the Commissioner under subsection (c) of this
30 section is a public record.

31 14-107.

32 (a) By November 1 of each year, the Commissioner shall issue an order
33 notifying each nonprofit health service plan that is required to file a report under §
34 14-106 of this subtitle of whether the plan has satisfied the requirements of § 14-106
35 of this subtitle.

1 (b) [(1)] If the Commissioner determines that a nonprofit health service plan
2 has not satisfied the requirements of § 14-106 of this subtitle, [the nonprofit health
3 service plan shall have 1 year from the date the Commissioner issued the order under
4 subsection (a) of this section to comply with the requirements of § 14-106 of this
5 subtitle.

6 (2) If after the time period provided under paragraph (1) of this
7 subsection the Commissioner determines that a nonprofit health service plan has not
8 satisfied the requirements of § 14-106 of this subtitle:

9 (i) the Commissioner shall report the determination to the House
10 Economic Matters Committee and the Senate Finance Committee, including the
11 reasons for the determination; and

12 (ii) if required by an act of the General Assembly, the nonprofit
13 health service plan shall be subject to] THE COMMISSIONER SHALL ISSUE AN ORDER
14 REQUIRING THE NONPROFIT HEALTH SERVICE PLAN TO PAY the premium tax under
15 Title 6, Subtitle 1 of this article FOR A PERIOD OF TIME BEGINNING WITH THE DATE
16 THE PLAN WAS DETERMINED TO BE OUT OF COMPLIANCE WITH § 14-106 OF THIS
17 SUBTITLE AND UNTIL SUCH TIME AS THE NONPROFIT HEALTH SERVICE PLAN
18 DEMONSTRATES TO THE COMMISSIONER THAT THE PLAN IS COMPLYING WITH §
19 14-106 OF THIS SUBTITLE.

20 (c) A nonprofit health service plan that fails to timely file the report required
21 under § 14-106 of this subtitle shall pay the penalties under § 14-121 of this subtitle.

22 (d) A party aggrieved by an order of the Commissioner issued under this
23 section has a right to a hearing in accordance with §§ 2-210 through 2-215 of this
24 article.

25 (E) PREMIUM TAX REVENUE COLLECTED BY THE ADMINISTRATION AS THE
26 RESULT OF AN ORDER ISSUED UNDER SUBSECTION (B) OF THIS SECTION SHALL BE
27 DEPOSITED INTO THE MARYLAND HEALTH INSURANCE PLAN FUND ESTABLISHED
28 UNDER § 14-504 OF THIS TITLE.

29 14-109.

30 An applicant for a certificate of authority shall:

31 (1) file with the Commissioner an application on the form that the
32 Commissioner provides containing the information that the Commissioner considers
33 necessary;

34 (2) pay to the Commissioner the applicable fee required by § 2-112 of
35 this article; and

36 (3) file with the Commissioner copies of the following documents,
37 certified by at least two of the executive officers of the corporation:

1 (i) articles of incorporation, INCLUDING THE APPLICANT'S
2 CORPORATE MISSION STATEMENT, with all amendments;

3 (ii) bylaws with all amendments;

4 (iii) each contract executed or proposed to be executed by the
5 corporation and a health care provider, embodying the terms under which health care
6 services are to be furnished to subscribers to the plan;

7 (iv) each form of contract issued or proposed to be issued to
8 subscribers to the plan and a table of the rates charged or proposed to be charged to
9 subscribers for each form of contract;

10 (v) a financial statement of the corporation, including the amount
11 of each contribution paid or agreed to be paid to the corporation for working capital,
12 the name of each contributor, and the terms of each contribution;

13 (vi) a list of the names and addresses of and biographical
14 information about the members of the board of directors of the [nonprofit health
15 service plan] CORPORATION; [and]

16 (VII) A LIST OF THE TOTAL COMPENSATION PAID OR PROPOSED TO
17 BE PAID TO EACH MEMBER OF THE BOARD OF DIRECTORS OF THE CORPORATION;
18 AND

19 [(vii)] (VIII) any other information or documents that the
20 Commissioner considers necessary to ensure compliance with this subtitle.

21 14-110.

22 (A) The Commissioner shall issue a certificate of authority to an applicant if:

23 (1) the applicant has paid the applicable fee required by § 2-112 of this
24 article; and

25 (2) the Commissioner is satisfied:

26 (i) that the applicant has been organized in good faith for the
27 purpose of establishing, maintaining, and operating a nonprofit health service plan
28 THAT:

29 1. IS COMMITTED TO A NONPROFIT CORPORATE
30 STRUCTURE;

31 2. SEEKS TO PROVIDE INDIVIDUALS, BUSINESSES, AND
32 OTHER GROUPS WITH THE MOST AFFORDABLE AND ACCESSIBLE HEALTH
33 INSURANCE POSSIBLE; AND

34 3. RECOGNIZES A RESPONSIBILITY TO CONTRIBUTE TO THE
35 IMPROVEMENT OF THE OVERALL HEALTH STATUS OF MARYLAND RESIDENTS;

1 (ii) that:

2 1. each contract executed or proposed to be executed by the
3 applicant and a health care provider to furnish health care services to subscribers to
4 the nonprofit health service plan, obligates or, when executed, will obligate each
5 health care provider party to the contract to render the health care services to which
6 each subscriber is entitled under the terms and conditions of the various contracts
7 issued or proposed to be issued by the applicant to subscribers to the plan; and

8 2. each subscriber is entitled to reimbursement for podiatric,
9 chiropractic, psychological, or optometric services, regardless of whether the service is
10 performed by a licensed physician, licensed podiatrist, licensed chiropractor, licensed
11 psychologist, or licensed optometrist;

12 (iii) that:

13 1. each contract issued or proposed to be issued to
14 subscribers to the plan is in a form approved by the Commissioner; and

15 2. the rates charged or proposed to be charged for each form
16 of each contract are fair and reasonable;

17 (iv) that the applicant has a surplus, as defined in § 14-117 of this
18 subtitle, of the greater of:

19 1. \$100,000; and

20 2. an amount equal to that required under § 14-117 of this
21 subtitle; and

22 (v) that, except for a nonprofit health service plan that insures
23 [fewer than] BETWEEN 1 AND 10,000 covered lives in the State, the nonprofit health
24 service plan's corporate headquarters is located in the State.

25 (B) THE COMMISSIONER MAY NOT RENEW THE CERTIFICATE OF AUTHORITY
26 OF A NONPROFIT HEALTH SERVICE PLAN UNLESS THE COMMISSIONER DETERMINES
27 THAT THE PLAN CONTINUES TO SATISFY THE REQUIREMENTS OF THIS SUBTITLE.

28 14-111.

29 A certificate of authority issued under this subtitle authorizes a corporation to:

30 (1) issue contracts in the form filed with the Commissioner to persons
31 that become subscribers to the plan;

32 (2) FINANCE CAPITAL IMPROVEMENT PROJECTS THROUGH THE
33 MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY AS
34 PROVIDED UNDER ARTICLE 43C OF THE CODE;

1 (3) FINANCE CAPITAL IMPROVEMENT PROJECTS THROUGH THE
2 MARYLAND ECONOMIC DEVELOPMENT CORPORATION AS PROVIDED UNDER ARTICLE
3 83A, TITLE 5, SUBTITLE 2 OF THE CODE; AND

4 (4) PARTNER WITH THE STATE AND OTHER PUBLIC OR PRIVATE
5 ENTITIES TO PROVIDE SERVICES OR ADMINISTER PROGRAMS INTENDED TO
6 ADDRESS COMMUNITY HEALTH CARE NEEDS.

7 14-115.

8 (a) (1) In this section the following words have the meanings indicated.

9 (2) "Board" means the board of directors of a nonprofit health service
10 plan.

11 (3) "Immediate family member" means a spouse, child, child's spouse,
12 parent, spouse's parent, sibling, or sibling's spouse.

13 (b) Subsections (c) through [(f)] (G) of this section apply to a nonprofit health
14 service plan that is incorporated under the laws of the State and operates under a
15 certificate of authority issued by the Commissioner under this subtitle.

16 (c) (1) The business and affairs of a nonprofit health service plan shall be
17 managed under the direction of a board of directors.

18 (2) The board and its individual members are fiduciaries FOR THE
19 BENEFIT OF THE CORPORATION and shall act:

20 (i) in good faith;

21 (ii) in a manner that is reasonably believed to be in the best
22 interests of the corporation; [and]

23 (III) IN A MANNER THAT IS REASONABLY BELIEVED TO BE IN
24 FURTHERANCE OF THE CORPORATION'S NONPROFIT MISSION; AND

25 [(iii)] (IV) with the care that an ordinarily prudent person in a like
26 position would use under similar circumstances.

27 (3) THE PRINCIPAL FUNCTIONS OF THE BOARD SHALL INCLUDE:

28 (I) ENSURING THAT THE CORPORATION EFFECTIVELY CARRIES
29 OUT THE NONPROFIT MISSION ESTABLISHED UNDER § 14-102(C) OF THIS SUBTITLE;

30 (II) MONITORING THE PERFORMANCE OF CORPORATE
31 MANAGEMENT;

32 (III) SELECTING, OVERSEEING, EVALUATING, AND IF NEED BE,
33 REPLACING THE CHIEF EXECUTIVE OFFICER;

1 (IV) ENSURING TO THE EXTENT PRACTICABLE THAT HUMAN
2 RESOURCES AND OTHER RESOURCES ARE SUFFICIENT TO MEET CORPORATE
3 OBJECTIVES;

4 (V) NOMINATING AND SELECTING SUITABLE CANDIDATES FOR
5 THE BOARD; AND

6 (VI) ESTABLISHING A SYSTEM OF GOVERNANCE AT THE BOARD
7 LEVEL, INCLUDING EVALUATION OF BOARD PERFORMANCE.

8 (4) EACH MEMBER OF THE BOARD SHALL DEMONSTRATE A
9 COMMITMENT TO THE MISSION OF THE NONPROFIT HEALTH SERVICE PLAN.

10 [(3)] (5) An officer or employee of a nonprofit health service plan or any
11 of its affiliates or subsidiaries may not be appointed or elected to the board.

12 [(4)] (6) A nonprofit health service plan is subject to the provisions of §
13 2-419 of the Corporations and Associations Article.

14 (d) (1) This subsection does not apply to a board of a nonprofit health service
15 plan that INSURES BETWEEN 1 AND 10,000 COVERED LIVES IN MARYLAND OR issues
16 contracts for only one of the following services:

17 (i) podiatric;

18 (ii) chiropractic;

19 (iii) pharmaceutical;

20 (iv) dental;

21 (v) psychological; or

22 (vi) optometric.

23 (2) THE BOARD SHALL BE COMPRISED OF 15 MEMBERS, SELECTED BY
24 THE BOARD OF DIRECTORS OF THE NONPROFIT HEALTH SERVICE PLAN IN
25 ACCORDANCE WITH PARAGRAPHS (3) THROUGH (7) OF THIS SUBSECTION.

26 (3) THE 15 BOARD MEMBERS SHALL INCLUDE:

27 (I) INDIVIDUALS WITH A BACKGROUND IN ACCOUNTING,
28 INFORMATION TECHNOLOGY, FINANCE, LAW, LARGE AND SMALL BUSINESS,
29 NONPROFIT BUSINESS, AND ORGANIZED LABOR; AND

30 (II) TWO CONSUMERS, WHO SATISFY THE REQUIREMENTS OF
31 PARAGRAPHS (4) THROUGH (6) OF THIS SUBSECTION.

32 [(2)] The board shall appoint two additional members to serve as voting
33 consumer members.

1 (3) (4) Of the two consumer members, one shall be a subscriber and
2 one shall be a certificate holder of the nonprofit health service plan.

3 [(4)] (5) Each consumer member of the board:

4 (i) shall be a member of the general public;

5 (ii) may not be considered an agent or employee of the State for any
6 purpose; and

7 (iii) is entitled to the same rights, powers, and privileges as the
8 other members of the board.

9 [(5)] (6) A consumer member of the board may not:

10 (i) be a licensee of or otherwise be subject to regulation by the
11 Commissioner;

12 (ii) be employed by or have a financial interest in:

13 1. a nonprofit health service plan or its affiliates or
14 subsidiaries; or

15 2. a person regulated under this article or the Health -
16 General Article; or

17 (iii) within 1 year before appointment, have been employed by, had a
18 financial interest in, or have received compensation from:

19 1. a nonprofit health service plan or its affiliates or
20 subsidiaries; or

21 2. a person regulated under this article or the Health -
22 General Article.

23 (7) NO MORE THAN 20% OF THE MEMBERS OF THE BOARD MAY BE:

24 (I) LICENSED HEALTH CARE PROFESSIONALS;

25 (II) HOSPITAL ADMINISTRATORS; OR

26 (III) EMPLOYEES OF HEALTH CARE PROFESSIONALS OR HOSPITALS.

27 (8) THE BOARD SHALL ESTABLISH:

28 (I) A COMPENSATION COMMITTEE TO EXAMINE AND RECOMMEND
29 TO THE BOARD APPROPRIATE GUIDELINES FOR, AND LEVELS OF, COMPENSATION OF
30 OFFICERS AND EMPLOYEES;

31 (II) A NOMINATING COMMITTEE TO IDENTIFY AND RECOMMEND TO
32 THE BOARD INDIVIDUALS QUALIFIED TO BECOME BOARD MEMBERS;

1 (III) AN AUDIT COMMITTEE TO ENSURE FINANCIAL
2 ACCOUNTABILITY; AND

3 (IV) ANY OTHER COMMITTEE THAT THE BOARD DETERMINES IS
4 NECESSARY TO CARRY OUT ITS BUSINESS.

5 (9) (I) THE CHAIRMAN OF THE BOARD OF DIRECTORS SHALL SELECT
6 THE CHAIRMEN OF THE BOARD COMMITTEES.

7 (II) A COMMITTEE CHAIRMAN SHALL SERVE FOR 1 YEAR.

8 (III) A BOARD MEMBER WHO WAS A BOARD MEMBER AS OF JUNE 1,
9 2003 MAY NOT CHAIR A COMMITTEE AFTER JUNE 1, 2005.

10 (e) (1) This subsection does not apply to a board that has fewer than three
11 authorized members.

12 (2) The term of a member is [3] 4 years.

13 (3) The terms of the members of a board shall be staggered over a
14 [3-year] 4-YEAR period as required by the terms provided for members of the board
15 in the bylaws filed and approved by the Commissioner on or after June 1, [1993]
16 2003.

17 (4) At the end of a term, a member continues to serve until a successor is
18 appointed and qualifies.

19 (5) A member who is appointed after a term has begun serves only for
20 the rest of the term and until a successor is appointed and qualifies.

21 (6) A member may not serve for more than:

22 (i) [three] TWO full terms; or

23 (ii) a total of more than [9] 8 years.

24 (7) A person may not be a member of the board if the person:

25 (i) has defaulted on the payment of a monetary obligation to the
26 nonprofit health service plan;

27 (ii) has been convicted of a criminal offense involving dishonesty or
28 breach of trust or a felony; or

29 (iii) habitually has neglected to pay debts.

30 (8) A member shall meet any other qualifications set forth in the bylaws
31 of the nonprofit health service plan.

32 (9) A member may not be an immediate family member of another board
33 member or an officer or employee of the nonprofit health service plan.

1 (10) The board shall elect a chairman from among its members.

2 (11) The [membership] COMPOSITION of the board shall represent the
3 [different] RACIAL, GENDER, AND geographic [regions] DIVERSITY of the State.

4 (f) The board shall notify the Commissioner of any member who attends less
5 than 65% of the meetings of the board during a period of 12 consecutive months.

6 (G) THE COMPENSATION, IF ANY, OF THE DIRECTORS AND OFFICERS OF A
7 NONPROFIT HEALTH SERVICE PLAN SHALL BE REASONABLE, AS DETERMINED BY
8 THE COMMISSIONER, IN COMPARISON TO THE COMPENSATION PAID TO BOARD
9 MEMBERS AND OFFICERS OF COMPARABLE NONPROFIT HEALTH SERVICE PLANS IN
10 THE UNITED STATES.

11 [(g) (1) This subsection does not apply to a board of a nonprofit health service
12 plan that has a premium income for the preceding year of less than \$30,000,000.

13 (2) No more than 25% of a board may be:

14 (i) licensed health care professionals;

15 (ii) hospital administrators; and

16 (iii) employees of health care professionals or hospitals.

17 (3) The Commissioner may adopt regulations that limit the
18 representation of licensed health care professionals, hospital administrators, and
19 employees of health care professionals or hospitals on a subcommittee of the board in
20 accordance with paragraph (2) of this subsection.]

21 14-504.

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

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

25 (3) The Treasurer shall separately hold and the Comptroller shall
26 account for the Fund.

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

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

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

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

3 (b) The Fund shall consist of:

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

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

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

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

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

12 (6) interest on deposits or investments of money from the Fund; [and]

13 (7) PREMIUM TAX REVENUE COLLECTED UNDER § 14-107 OF THIS TITLE;
14 AND

15 [(7)] (8) money collected by the Board as a result of legal or other actions
16 taken by the Board on behalf of the Fund.

17 **Article - State Government**

18 2-10A-08.

19 (A) THERE IS A JOINT BLUECROSS AND BLUESHIELD OVERSIGHT
20 COMMITTEE.

21 (B) (1) THE COMMITTEE CONSISTS OF 15 MEMBERS.

22 (2) OF THE 15 MEMBERS:

23 (I) 1. TWO SHALL BE MEMBERS OF THE SENATE APPOINTED BY
24 THE PRESIDENT OF THE SENATE;

25 2. TWO SHALL BE MEMBERS OF THE HOUSE OF DELEGATES
26 APPOINTED BY THE SPEAKER OF THE HOUSE; AND

27 (II) 11 SHALL BE APPOINTED JOINTLY BY THE PRESIDENT OF THE
28 SENATE AND THE SPEAKER OF THE HOUSE OF DELEGATES AS FOLLOWS:

29 1. ONE SHALL BE THE OWNER OF A BUSINESS DOMICILED IN
30 THE STATE THAT EMPLOYS MORE THAN 50 PEOPLE;

31 2. ONE SHALL BE THE OWNER OF A BUSINESS DOMICILED IN
32 THE STATE THAT EMPLOYS TWO TO 50 PEOPLE;

1 3. ONE SHALL REPRESENT A MARYLAND LABOR
2 ORGANIZATION;

3 4. ONE SHALL HAVE EXPERIENCE IN THE ADMINISTRATION
4 AND OPERATION OF A NONPROFIT BUSINESS DOMICILED IN THE STATE;

5 5. ONE SHALL REPRESENT THE STATE EMPLOYEE HEALTH
6 BENEFIT PLAN;

7 6. ONE SHALL REPRESENT A NONPROFIT HEALTH CARE
8 ADVOCACY ASSOCIATION ORGANIZED IN THE STATE;

9 7. ONE SHALL REPRESENT THE MEDICAL AND CHIRURGICAL
10 FACULTY OF MARYLAND;

11 8. ONE SHALL REPRESENT THE MARYLAND HOSPITAL
12 ASSOCIATION; AND

13 9. THREE SHALL BE MEMBERS OF THE PUBLIC.

14 (C) THE MEMBERS OF THE COMMITTEE SERVE AT THE PLEASURE OF THE
15 PRESIDING OFFICERS.

16 (D) THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF
17 DELEGATES SHALL APPOINT A SENATOR AND A DELEGATE, RESPECTIVELY, TO
18 SERVE AS CO-CHAIRMEN.

19 (E) THE MARYLAND INSURANCE ADMINISTRATION AND THE DEPARTMENT OF
20 LEGISLATIVE SERVICES, OFFICE OF POLICY ANALYSIS, SHALL PROVIDE STAFF
21 ASSISTANCE TO THE COMMITTEE.

22 (F) THE COMMITTEE SHALL EXAMINE AND EVALUATE THE ABILITY OF THE
23 NONPROFIT HEALTH SERVICE PLANS IN THE STATE THAT CARRY THE BLUECROSS
24 AND BLUESHIELD TRADEMARK TO MEET THE FOLLOWING GOALS:

25 (1) PROVIDE INDIVIDUALS AND BUSINESSES WITH AFFORDABLE AND
26 ACCESSIBLE HEALTH INSURANCE;

27 (2) CONTRIBUTE TO THE IMPROVEMENT OF THE OVERALL HEALTH
28 STATUS OF MARYLAND RESIDENTS;

29 (3) PROVIDE FINANCIAL OR IN-KIND SUPPORT FOR PUBLIC HEALTH
30 PROGRAMS;

31 (4) EMPLOY UNDERWRITING STANDARDS IN A MANNER THAT
32 INCREASES THE AVAILABILITY OF ONE OR MORE HEALTH CARE SERVICES OR
33 PRODUCTS;

34 (5) EMPLOY PRICING POLICIES THAT ENHANCE THE AFFORDABILITY OF
35 HEALTH CARE SERVICES OR PRODUCTS AND RESULT IN A HIGHER MEDICAL LOSS
36 RATIO THAN THAT ESTABLISHED BY A COMPARABLE FOR-PROFIT HEALTH INSURER;

1 (6) OFFER A COMPREHENSIVE BENEFIT, OPEN ENROLLMENT PRODUCT
2 IN THE INDIVIDUAL MARKET;

3 (7) OFFER AN OPEN ENROLLMENT PRODUCT IN THE SMALL EMPLOYER
4 GROUP MARKET;

5 (8) PARTNER WITH THE STATE AND OTHER PUBLIC OR PRIVATE
6 ENTITIES TO PROVIDE SERVICES OR ADMINISTER PROGRAMS TO ADDRESS
7 COMMUNITY HEALTH CARE NEEDS; AND

8 (9) CONTINUE SUBSIDIZATION OF THE SENIOR PRESCRIPTION DRUG
9 PROGRAM ESTABLISHED UNDER TITLE 14, SUBTITLE 5, PART II OF THE INSURANCE
10 ARTICLE.

11 (G) (1) SUBJECT TO § 2-1246 OF THIS TITLE, THE COMMITTEE SHALL SUBMIT
12 AN ANNUAL REPORT TO THE GENERAL ASSEMBLY ON OR BEFORE DECEMBER 1 OF
13 EACH YEAR.

14 (2) THE REPORT SHALL INCLUDE THE FINDINGS AND
15 RECOMMENDATIONS OF THE COMMITTEE WITH REGARD TO THE EXAMINATION AND
16 EVALUATION CARRIED OUT UNDER SUBSECTION (F) OF THE SECTION.

17 SECTION 2. AND BE IT FURTHER ENACTED, That:

18 (a) The terms of 11 of the CareFirst, Inc. Board Members shall terminate on
19 September 30, 2003.

20 (b) The terms of the remaining 10 members shall terminate as follows:

21 (1) four on September 30, 2004;

22 (2) three on September 30, 2005; and

23 (3) three on September 30, 2006.

24 (c) On or before October 1, 2003, the remaining Board Members shall select
25 an additional five members to serve a 4-year term.

26 (d) The Board shall select members to replace members whose terms expire as
27 provided in subsection (b) of this section.

28 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
29 June 1, 2003.