

**Department of Legislative Services**  
Maryland General Assembly  
2003 Session

**FISCAL AND POLICY NOTE**

House Bill 765 (Delegate Hurson)  
Health and Government Operations

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**Task Force on the CareFirst Mission**

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This emergency bill establishes a 13-member Task Force on the CareFirst Mission to develop a plan to rearticulate the mission of CareFirst of Maryland, Inc. as a nonprofit health service plan that: (1) provides individuals and businesses with the most affordable and accessible health insurance possible; and (2) recognizes a responsibility to contribute to the improvement of the overall health status of Maryland residents. The task force is staffed by the Maryland Insurance Administration (MIA) and the Maryland Health Care Commission (MHCC).

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**Fiscal Summary**

**State Effect:** Any expense reimbursements for task force members and staffing costs for MHCC and MIA are assumed to be minimal and absorbable within existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** None applicable.

**Background:** Nonprofit health service plans, like CareFirst and most other Blue Cross and Blue Shield (BCBS) plans across the country, receive favorable tax treatment and other benefits from both federal and state governments that are not accorded their for-

profit counterparts. Prior to 1987, these plans had tax-exempt status because they performed public services that, absent the organization, would have to be provided by the government. Spurred by complaints from commercial insurers that such tax treatment represented an unfair competitive advantage, Congress repealed the full tax-exempt status of BCBS plans under the federal Tax Reform Act of 1986. However, Congress created a special tax class for the plans in recognition of the unique community service they provide. Beginning January 1, 1987, BCBS plans became subject to a federal corporate tax rate that is significantly lower than the prevailing corporate tax rate.

CareFirst is the State's largest health insurer and by far its largest nonprofit health service plan. As a health insurer, CareFirst is exempt from the State corporate income tax, and as a nonprofit health service plan, it is exempt from the 2% tax on gross direct premiums that most other insurers are required to pay.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Health and Mental Hygiene (Maryland Health Care Commission); *Legislative Guide to Nonprofit Health Plan Conversions*, January 2002, Department of Legislative Services

**Fiscal Note History:** First Reader - February 21, 2003  
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