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By: **Chairman, Health and Government Operations Committee (By Request  
- Departmental - Insurance Administration, Maryland)**

Introduced and read first time: February 4, 2004  
Assigned to: Health and Government Operations

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Committee Report: Favorable with amendments  
House action: Adopted  
Read second time: March 26, 2004

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Maryland Health Insurance Plan - Board of Directors - Authority**

3 FOR the purpose of ~~allowing~~ authorizing the Board of Directors of the Maryland  
4 Health Insurance Plan to adopt regulations to limit enrollment ~~in~~ under certain  
5 circumstances; expanding the sources of revenue for the Maryland Health  
6 Insurance Plan Fund; authorizing the Board to adjust premiums based on  
7 certain geographic areas in the State; authorizing the Board to subsidize  
8 premiums, deductibles, and other policy expenses, based on a Plan member's  
9 income; making a certain conforming change; and generally relating to the  
10 Maryland Health Insurance Plan.

11 BY repealing and reenacting, without amendments,  
12 Article - Insurance  
13 Section 14-501  
14 Annotated Code of Maryland  
15 (2002 Replacement Volume and 2003 Supplement)

16 BY repealing and reenacting, with amendments,  
17 Article - Insurance  
18 Section ~~14-501, 14-504, 14-504~~ and 14-505  
19 Annotated Code of Maryland  
20 (2002 Replacement Volume and 2003 Supplement)

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

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**Article - Insurance**

2 14-501.

3 (a) In this subtitle the following words have the meanings indicated.

4 (b) "Administrator" means:

5 (1) a person that is registered as an administrator under Title 8, Subtitle  
6 3 of this article; or

7 (2) a carrier as defined under subsection (d) of this section.

8 (c) "Board" means the Board of Directors for the Maryland Health Insurance  
9 Plan.

10 (d) "Carrier" means:

11 (1) an authorized insurer that provides health insurance in the State;

12 (2) a nonprofit health service plan that is licensed to operate in the  
13 State; or14 (3) a health maintenance organization that is licensed to operate in the  
15 State.

16 (e) "Fund" means the Maryland Health Insurance Plan Fund.

17 (f) (1) "Medically uninsurable individual" means an individual who is a  
18 resident of the State and who:19 (i) provides evidence that, for health reasons, a carrier has refused  
20 to issue substantially similar coverage to the individual;21 (ii) provides evidence that, for health reasons, a carrier has refused  
22 to issue substantially similar coverage to the individual, except at a rate that exceeds  
23 the Plan rate;24 (iii) satisfies the definition of "eligible individual" under § 15-1301  
25 of this article;26 (iv) has a history of or suffers from a medical or health condition  
27 that is included on a list promulgated in regulation by the Board;28 (v) is eligible for the tax credit for health insurance costs under § 35  
29 of the Internal Revenue Code; or30 (vi) is a dependent of an individual who is eligible for coverage  
31 under this subsection.

1 (2) "Medically uninsurable individual" does not include an individual  
2 who is eligible for coverage under:

- 3 (i) the federal Medicare program;
- 4 (ii) the Maryland Medical Assistance Program;
- 5 (iii) the Maryland Children's Health Program; or
- 6 (iv) an employer-sponsored group health insurance plan that  
7 includes benefits comparable to Plan benefits, unless the individual is eligible for the  
8 tax credit for health insurance costs under Section 35 of the Internal Revenue Code.

9 ~~(3) THE BOARD MAY ADOPT REGULATIONS TO LIMIT ENROLLMENT OF~~  
10 ~~OTHERWISE ELIGIBLE INDIVIDUALS UNDER PARAGRAPH (1) OF THIS SUBSECTION~~  
11 ~~WHERE THE BOARD DETERMINES THAT ENROLLMENT CAPACITY IS ADVERSELY~~  
12 ~~IMPACTED.~~

13 (g) "Plan" means the Maryland Health Insurance Plan.

14 (h) "Plan of operation" means the articles, bylaws, and operating rules and  
15 procedures adopted by the Board in accordance with § 14-503 of this subtitle.

16 14-504.

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

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

20 (3) The Treasurer shall separately hold and the Comptroller shall  
21 account for the Fund.

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

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

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

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

31 (b) The Fund shall consist of:

- 32 (1) premiums for coverage that the Plan issues;

1 (2) except as provided in § 14-513(a) of this subtitle, premiums paid by  
2 enrollees of the Senior Prescription Drug Program;

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

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

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

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

10 (7) premium tax revenue collected under § 14-107 of this title; [and]

11 (8) money collected by the Board as a result of legal or other actions  
12 taken by the Board on behalf of the ~~{Fund}~~FUND;

13 (9) MONEY DONATED TO THE FUND; AND

14 (10) MONEY AWARDED TO THE FUND THROUGH GRANTS.

15 (c) (1) The Board may allow the Administrator to use premiums collected by  
16 the Administrator from Plan enrollees to pay claims for Plan enrollees.

17 (2) The Administrator:

18 (i) shall deposit all premiums for Plan enrollees in a separate  
19 account, titled in the name of the State of Maryland, for the Maryland Health  
20 Insurance Plan; and

21 (ii) may use money in the account only to pay claims for Plan  
22 enrollees.

23 (3) The Administrator shall keep complete and accurate records of all  
24 transactions for the separate account.

25 (4) By the 15th of the following month, if monthly premiums collected by  
26 the Administrator exceed monthly claims received, the Administrator shall deposit  
27 the remaining balance, including interest, for that month in the Fund.

28 (d) (1) The Board shall take steps necessary to ensure that Plan enrollment  
29 does not exceed the number of enrollees the Plan has the financial capacity to insure.

30 (2) THE BOARD MAY ADOPT REGULATIONS TO LIMIT THE ENROLLMENT  
31 OF OTHERWISE ELIGIBLE MEDICALLY UNINSURABLE INDIVIDUALS IF THE BOARD  
32 DETERMINES THAT THEIR ENROLLMENT WOULD HAVE AN ADVERSE FINANCIAL  
33 IMPACT ON THE PLAN.

1 (e) (1) In addition to the operation and administration of the Plan, the Fund  
2 shall be used for the operation and administration of the Senior Prescription Drug  
3 Program established under Part II of this subtitle.

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

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

8 (f) A debt or obligation of the Plan is not a debt of the State or a pledge of  
9 credit of the State.

10 14-505.

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

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

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

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

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

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

25 (3) THE PREMIUM RATE MAY BE ADJUSTED FOR GEOGRAPHY BASED ON  
26 THE FOLLOWING CONTIGUOUS AREAS OF THE STATE:

27 (I) THE BALTIMORE METROPOLITAN AREA;

28 (II) THE DISTRICT OF COLUMBIA METROPOLITAN AREA;

29 (III) WESTERN MARYLAND; AND

30 (IV) EASTERN AND SOUTHERN MARYLAND.

31 [(3)] (4) If the Board determines that a standard risk rate would create  
32 market dislocation, the Board may adjust the premium rate based on member age.

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

4 (2) The premium rate for Plan coverage:

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

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

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

10 (4) THE BOARD MAY SUBSIDIZE PREMIUMS, DEDUCTIBLES, AND OTHER  
11 POLICY EXPENSES, BASED ON ~~THE~~ A MEMBER'S INCOME.

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

13 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take  
14 effect October 1, 2004.