

SENATE BILL 96

Unofficial Copy
C3

2004 Regular Session
4r0382
CF 4r0376

By: **Senator Middleton**

Introduced and read first time: January 19, 2004

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Nonprofit Health Service Plans - Submission of Premium Tax Exemption**
3 **Reports**

4 FOR the purpose of exempting nonprofit health service plans that insure up to a
5 certain number of covered lives in the State from certain public interest
6 reporting requirements; requiring nonprofit health service plans that insure
7 more than a certain number of covered lives in the State and that issue certain
8 insurance contracts to report to the Maryland Insurance Commissioner on the
9 value of the nonprofit health service plan's premium tax exemption and to
10 demonstrate that the nonprofit health service plan has used the value of the
11 premium tax exemption in a certain manner; specifying the manner in which a
12 nonprofit health service plan may satisfy the public interest requirement;
13 specifying the manner in which a nonprofit health service plan may use the
14 portion of the value of the premium tax exemption that exceeds the Senior
15 Prescription Drug Program subsidy to satisfy the public interest requirement;
16 and generally relating to the submission of premium tax exemption reports by
17 nonprofit health service plans.

18 BY repealing and reenacting, without amendments,
19 Article - Insurance
20 Section 14-102(d) and (e)
21 Annotated Code of Maryland
22 (2002 Replacement Volume and 2003 Supplement)

23 BY repealing and reenacting, with amendments,
24 Article - Insurance
25 Section 14-102(h), 14-106, and 14-107
26 Annotated Code of Maryland
27 (2002 Replacement Volume and 2003 Supplement)

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

1

Article - Insurance

2 14-102.

3 (d) A nonprofit health service plan:

4 (1) shall develop goals, objectives, and strategies for carrying out its
5 statutory mission;6 (2) beginning on December 1, 2003, and continuing through June 30,
7 2005, shall report quarterly, for the preceding quarter, to the Joint Nonprofit Health
8 Service Plan Oversight Committee on the nonprofit health service plan's compliance
9 with the provisions of this subtitle; and10 (3) shall provide to the Joint Nonprofit Health Service Plan Oversight
11 Committee any other information necessary for the Committee to meet the goals
12 outlined under § 2-10A-08 of the State Government Article.13 (e) On or before December 1, 2005, and annually thereafter, the Commissioner
14 shall report to the Governor and, in accordance with § 2-1246 of the State
15 Government Article, the Senate Finance Committee and the House Health and
16 Government Operations Committee, on the compliance of a nonprofit health service
17 plan subject to § 14-115(d) of this subtitle with the provisions of this subtitle.18 (h) (1) The provisions of subsections (d) and (e) of this section and §§
19 [14-106, 14-115(d), (e), (f), and (g), and 14-139(d) and (e)] 14-106, 14-107(B)(2)(I),
20 14-115(D), (E), (F), AND (G), AND 14-139(D) AND (E) of this subtitle do not apply to a
21 nonprofit health service plan that insures between 1 and 10,000 covered lives in
22 [Maryland or issues contracts for only one of the following services:

23 (1) podiatric;

24 (2) chiropractic;

25 (3) pharmaceutical;

26 (4) dental;

27 (5) psychological; or

28 (6) optometric] THE STATE.

29 (2) THE PROVISIONS OF SUBSECTIONS (D) AND (E) OF THIS SECTION AND
30 §§ 14-106(C), (D), AND (E), 14-107(B)(2)(I), 14-115(D), (E), (F), AND (G), AND 14-139(D) AND
31 (E) OF THIS SUBTITLE DO NOT APPLY TO A NONPROFIT HEALTH SERVICE PLAN THAT
32 INSURES MORE THAN 10,000 COVERED LIVES IN THE STATE AND ISSUES CONTRACTS
33 FOR ONLY ONE OF THE FOLLOWING SERVICES:

34 (I) PODIATRIC;

35 (II) CHIROPRACTIC;

- 1 (III) PHARMACEUTICAL;
2 (IV) DENTAL;
3 (V) PSYCHOLOGICAL; OR
4 (VI) OPTOMETRIC.

5 14-106.

6 (a) It is the public policy of this State that the exemption from taxation for
7 nonprofit health service plans under § 6-101(b)(1) of this article is granted so that
8 funds which would otherwise be collected by the State and spent for a public purpose
9 shall be used in a like manner and amount by the nonprofit health service plan.

10 (b) [By] EXCEPT AS PROVIDED IN § 14-102(H)(1) OF THIS SUBTITLE, BY March
11 1 of each year or a deadline otherwise imposed by the Commissioner for good cause,
12 each nonprofit health service plan shall file with the Commissioner a premium tax
13 exemption report that:

14 (1) is in a form approved by the Commissioner; and

15 (2) demonstrates that the plan has used funds equal to the value of the
16 premium tax exemption provided to the plan under § 6-101(b) of this article, in a
17 manner that serves the public interest [in accordance with this section] BY
18 PARTICIPATING IN AN ACTIVITY THAT IS INTENDED TO ADDRESS COMMUNITY
19 NEEDS AND PRIORITIES PRIMARILY THROUGH DISEASE PREVENTION AND
20 IMPROVEMENT OF HEALTH STATUS, INCLUDING:

21 (I) PROVIDING HEALTH SERVICES TO VULNERABLE OR
22 UNDERSERVED POPULATIONS SUCH AS MEDICAID, MEDICARE, OR MARYLAND
23 CHILDREN'S HEALTH PROGRAM ENROLLEES;

24 (II) PROVIDING FINANCIAL OR IN-KIND SUPPORT FOR PUBLIC
25 HEALTH PROGRAMS;

26 (III) EMPLOYING UNDERWRITING STANDARDS IN A MANNER THAT
27 INCREASES THE AVAILABILITY OF ONE OR MORE HEALTH CARE SERVICES OR
28 PRODUCTS;

29 (IV) EMPLOYING PRICING POLICIES THAT ENHANCE THE
30 AFFORDABILITY OF HEALTH CARE SERVICES OR PRODUCTS AND RESULT IN A
31 HIGHER MEDICAL LOSS RATIO THAN THAT ESTABLISHED BY A COMPARABLE
32 FOR-PROFIT HEALTH INSURER;

33 (V) MAKING DONATIONS OF FUNDS, PROPERTY, OR OTHER
34 RESOURCES THAT CONTRIBUTE TO A COMMUNITY PRIORITY;

35 (VI) PARTICIPATING IN HEALTH CARE COST CONTAINMENT
36 ACTIVITIES;

1 (VII) OFFERING HEALTH EDUCATION, SCREENING, AND
2 PREVENTION SERVICES; OR

3 (VIII) SERVING THE PUBLIC INTEREST BY ANY METHOD OR PRACTICE
4 APPROVED BY THE COMMISSIONER.

5 (c) [A nonprofit health service plan may satisfy the public service
6 requirement of this section by establishing that, to] TO the extent the value of the
7 nonprofit health service plan's premium tax exemption under § 6-101(b) of this
8 article exceeds the subsidy required under the Senior Prescription Drug Program
9 established under Subtitle 5, Part II of this title, the NONPROFIT HEALTH SERVICE
10 plan [has:] SHALL USE THE EXCESS TO SATISFY THE PUBLIC INTEREST
11 REQUIREMENT UNDER SUBSECTION (B)(2) OF THIS SECTION.

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

15 (2) provided financial or in-kind support for public health programs;

16 (3) employed underwriting standards in a manner that increases the
17 availability of one or more health care services or products;

18 (4) employed pricing policies that enhance the affordability of health
19 care services or products and result in a higher medical loss ratio than that
20 established by a comparable for-profit health insurer; or

21 (5) served the public interest by any method or practice approved by the
22 Commissioner.]

23 (d) [Notwithstanding subsection (c) of this section, a] A nonprofit health
24 service plan that is subject to this section and issues comprehensive health care
25 benefits in the State shall:

26 (1) offer health care products in the individual market;

27 (2) offer health care products in the small employer group market in
28 accordance with Title 15, Subtitle 12 of this article; and

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

31 (e) The subsidy required under the Senior Prescription Drug Program may
32 not exceed the value of the nonprofit health service plan's premium tax exemption
33 under § 6-101(b) of this article.

34 (f) (1) Subject to paragraph (2) of this subsection, each report filed with the
35 Commissioner under subsection (b) of this section is a public record.

1 (2) In accordance with § 10-617(d) of the State Government Article, the
2 Commissioner shall deny inspection of any part of a report filed under subsection (b)
3 of this section that the Commissioner determines contains confidential commercial
4 information or confidential financial information.

5 14-107.

6 (a) By November 1 of each year, the Commissioner shall issue an order
7 notifying each nonprofit health service plan that is required to file a report under §
8 14-106 of this subtitle of whether the plan has satisfied the requirements of § 14-106
9 of this subtitle.

10 (b) If the Commissioner determines that a nonprofit health service plan has
11 not satisfied the requirements of § 14-106 of this subtitle, the Commissioner shall
12 issue an order requiring the nonprofit health service plan to pay the premium tax
13 under Title 6, Subtitle 1 of this article:

14 (1) for a period of time beginning with the date the plan was determined
15 to be out of compliance with § 14-106 of this subtitle; and

16 (2) in an amount equal to the amount by which the value of the nonprofit
17 health service plan's premium tax exemption under § 6-101(b) of this article exceeds
18 the sum of:

19 (i) the subsidy required under the Senior Prescription Drug
20 Program established under Subtitle 5, Part II of this title; [and] OR

21 (ii) other funds used by the nonprofit health service plan to meet
22 the public service requirement under § 14-106 of this subtitle.

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

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

28 (e) Premium tax revenue collected by the Administration as the result of an
29 order issued under subsection (b) of this section shall be deposited into the Maryland
30 Health Insurance Plan Fund established under § 14-504 of this title.

31 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
32 July 1, 2004.