

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

Committee Report: Favorable with amendments
Senate action: Adopted
Read second time: March 29, 2004

CHAPTER _____

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 exempting nonprofit health service plans that insure more than a certain
17 number of lives in the State and that issue certain insurance contracts from the
18 requirement that a nonprofit health service plan's headquarters must be located
19 in the State to be issued a certificate of authority; and generally relating to the
20 submission of premium tax exemption reports by nonprofit health service plans.

21 BY repealing and reenacting, without amendments,
22 Article - Insurance
23 Section 14-102(d) and (e) and 14-107
24 Annotated Code of Maryland
25 (2002 Replacement Volume and 2003 Supplement)

26 BY repealing and reenacting, with amendments,

1 Article - Insurance
2 Section 14-102(h), 14-106, and ~~14-107~~ 14-110(a)(2)(v)
3 Annotated Code of Maryland
4 (2002 Replacement Volume and 2003 Supplement)

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

7 **Article - Insurance**

8 14-102.

9 (d) A nonprofit health service plan:

10 (1) shall develop goals, objectives, and strategies for carrying out its
11 statutory mission;

12 (2) beginning on December 1, 2003, and continuing through June 30,
13 2005, shall report quarterly, for the preceding quarter, to the Joint Nonprofit Health
14 Service Plan Oversight Committee on the nonprofit health service plan's compliance
15 with the provisions of this subtitle; and

16 (3) shall provide to the Joint Nonprofit Health Service Plan Oversight
17 Committee any other information necessary for the Committee to meet the goals
18 outlined under § 2-10A-08 of the State Government Article.

19 (e) On or before December 1, 2005, and annually thereafter, the Commissioner
20 shall report to the Governor and, in accordance with § 2-1246 of the State
21 Government Article, the Senate Finance Committee and the House Health and
22 Government Operations Committee, on the compliance of a nonprofit health service
23 plan subject to § 14-115(d) of this subtitle with the provisions of this subtitle.

24 (h) (1) The provisions of subsections (d) and (e) of this section and §§
25 [14-106, 14-115(d), (e), (f), and (g), and 14-139(d) and (e)] 14-106, 14-107(B)(2)(I),
26 14-110(A)(2)(V), 14-115(D), (E), (F), AND (G), AND 14-139(D) AND (E) of this subtitle do not
27 apply to a nonprofit health service plan that insures between 1 and 10,000 covered
28 lives in [Maryland or issues contracts for only one of the following services:

29 (1) podiatric;

30 (2) chiropractic;

31 (3) pharmaceutical;

32 (4) dental;

33 (5) psychological; or

34 (6) optometric] THE STATE.

1 (2) THE PROVISIONS OF SUBSECTIONS (D) AND (E) OF THIS SECTION AND
 2 §§ 14-106(C), (D), AND (E), 14-107(B)(2)(I), ~~14-110(A)(2)(V)~~, 14-115(D), (E), (F), AND (G), AND
 3 14-139(D) AND (E) OF THIS SUBTITLE DO NOT APPLY TO A NONPROFIT HEALTH
 4 SERVICE PLAN THAT INSURES MORE THAN 10,000 COVERED LIVES IN THE STATE AND
 5 ISSUES CONTRACTS FOR ONLY ONE OF THE FOLLOWING SERVICES:

- 6 (I) PODIATRIC;
 7 (II) CHIROPRACTIC;
 8 (III) PHARMACEUTICAL;
 9 (IV) DENTAL;
 10 (V) PSYCHOLOGICAL; OR
 11 (VI) OPTOMETRIC.

12 14-106.

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

17 (b) [By] EXCEPT AS PROVIDED IN § 14-102(H)(1) OF THIS SUBTITLE, BY March
 18 1 of each year or a deadline otherwise imposed by the Commissioner for good cause,
 19 each nonprofit health service plan shall file with the Commissioner a premium tax
 20 exemption report that:

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

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

28 (I) PROVIDING HEALTH SERVICES TO THE UNDERINSURED OR
 29 UNINSURED OR TO VULNERABLE OR UNDERSERVED POPULATIONS IN THE STATE,
 30 SUCH AS MEDICAID, MEDICARE, OR MARYLAND CHILDREN'S HEALTH PROGRAM
 31 ENROLLEES;

32 (II) PROVIDING FINANCIAL OR IN-KIND SUPPORT FOR PUBLIC
 33 HEALTH PROGRAMS;

34 ~~(III) EMPLOYING UNDERWRITING STANDARDS IN A MANNER THAT~~
 35 ~~INCREASES THE AVAILABILITY OF ONE OR MORE HEALTH CARE SERVICES OR~~
 36 ~~PRODUCTS;~~

1 ~~(IV) EMPLOYING PRICING POLICIES THAT ENHANCE THE~~
 2 ~~AFFORDABILITY OF HEALTH CARE SERVICES OR PRODUCTS AND RESULT IN A~~
 3 ~~HIGHER MEDICAL LOSS RATIO THAN THAT ESTABLISHED BY A COMPARABLE~~
 4 ~~FOR-PROFIT HEALTH INSURER;~~

5 ~~(V)~~ (III) MAKING DONATIONS OF FUNDS, PROPERTY, OR OTHER
 6 RESOURCES THAT CONTRIBUTE TO A COMMUNITY PRIORITY;

7 ~~(VI) PARTICIPATING IN HEALTH CARE COST CONTAINMENT~~
 8 ~~ACTIVITIES;~~

9 ~~(VII)~~ (IV) OFFERING HEALTH EDUCATION, SCREENING, AND
 10 PREVENTION SERVICES; ~~OR~~ AND

11 ~~(VIII)~~ (V) SERVING THE PUBLIC INTEREST BY ANY METHOD OR
 12 PRACTICE APPROVED BY THE COMMISSIONER.

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

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

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

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

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

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

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

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

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

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

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

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

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

12 14-107.

13 (a) By November 1 of each year, the Commissioner shall issue an order
14 notifying each nonprofit health service plan that is required to file a report under §
15 14-106 of this subtitle of whether the plan has satisfied the requirements of § 14-106
16 of this subtitle.

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

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

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

26 (i) the subsidy required under the Senior Prescription Drug
27 Program established under Subtitle 5, Part II of this title; ~~and~~ **OR**

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

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

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

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

1 14-110.

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

3 (2) the Commissioner is satisfied:

4 (v) that, except [for a nonprofit health service plan that insures
5 between 1 and 10,000 covered lives in the State] AS PROVIDED IN § 14-102(H) OF THIS
6 SUBTITLE, the nonprofit health service plan's corporate headquarters is located in the
7 State.

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