

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE
 Revised

Senate Bill 281 (Chairman, Finance Committee)
 (By Request – Departmental – Insurance Administration, Maryland)
 Finance Health and Government Operations

Discount Medical Plan Organizations and Discount Drug Plan Organizations -
 Registration and Regulation

This departmental bill provides for the regulation of a discount medical plan organization or a discount drug plan organization by the Maryland Insurance Administration (MIA).

Fiscal Summary

State Effect: MIA special fund revenues could increase by at least \$2,500 in FY 2007. General fund revenues from civil penalties could increase by a minimal amount. Registering organizations and the required report could be handled with existing MIA resources. Out-year estimates reflect biennial registration renewal and assume two new organizations register each year.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
SF Revenue	\$2,500	\$500	\$2,000	\$800	\$1,800
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$2,500	\$500	\$2,000	\$800	\$1,800

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: MIA has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: A discount medical plan organization offers discount medical plans (DMPs), which are business arrangements or contracts that provide plan members the right to receive discounts on specified medical services in exchange for fees, dues, charges, or other financial consideration. A discount drug plan organization offers discount drug plans (DDPs), which are business arrangements or contracts that provide plan members the right to receive discounts on discounted drugs, pharmaceutical supplies, or medical equipment in exchange for fees, dues, charges, or other financial consideration. The bill's provisions do not apply to Medicare drug plans or State prescription drug plans. The bill's provisions also do not apply to health insurers, nonprofit health service plans, HMOs (carriers), or dental plan organizations unless they have authorized persons to sell a DMP or DDP in the State.

A person must register with MIA as a discount medical plan organization or a discount drug plan organization before selling, marketing, or soliciting a DMP or DDP in the State. A registrant must file quarterly with MIA a current list of the persons authorized to sell, market, or solicit a DMP or DDP. The registration fee is \$250 for a two-year period. The renewal fee is \$150. MIA may deny registration, refuse to renew, suspend, or revoke the registration if the applicant or registrant: (1) makes a material misstatement or misrepresentation in an application; (2) fraudulently or deceptively obtains or attempts to obtain registration; (3) has been convicted of a felony or misdemeanor involving moral turpitude; (4) in connection with the administration of a DMP or DDP, commits fraud or engages in illegal or dishonest activities; (5) provides false or misleading information to consumers; (6) makes a representation that a DMP or DDP has sponsorship, approval, characteristic, use, or benefit that it does not have; (7) has violated specified commercial law provisions; (8) fails to maintain on file with MIA a current list of persons authorized to sell, market, or solicit a DMP or DDP; or (9) has violated any of the bill's provisions.

The bill provides for limitations on advertising, plan access, payment to medical providers, and termination of plan membership. The bill requires carriers and DMP and DDP organizations to disclose when a plan is a discount plan and not insurance or a Medicare Prescription Drug Plan. The bill provides for other disclosure and notification requirements to plan members, including specified disclosures of whether a DMP offers or does not offer hospital services in other states. Each discount card provided to members must include a statement that the DMP or DDP is not a Medicare Prescription Drug Plan. The bill specifies circumstances under which a DMP or DDP must make restitution.

When necessary, MIA may examine the affairs, transactions, accounts, records, and assets of a DMP or DDP organization. MIA may issue a cease and desist order if a DMP or DDP organization has violated any of the bill's provisions, and may require corrective

action, including restitution of money, property, or other assets. MIA may impose a civil penalty of up to \$10,000 for each violation of the bill. Notwithstanding this civil penalty provision, MIA may impose a civil penalty of up to \$1,000 per day for each day a person is in violation of the bill's registration requirements.

The Insurance Commissioner must review the need for a continued requirement for a DMP or DDP to include a statement that the plan is not a Medicare Prescription Drug Plan and report on its findings to specified legislative committees by December 31, 2007.

Current Law: There is no regulatory oversight of these types of organizations.

Background: Discount medical plan organizations and discount drug plan organizations are not subject to direct regulation. Because plans that offer only discounts are not engaged in the business of insurance, MIA has no authority over their conduct. While many legitimate discount plans exist, this market allows for significant opportunity for confusion and deceptive practices.

State Fiscal Effect: MIA special fund revenues could increase by at least \$2,500 in fiscal 2007 from new registration fees. It is estimated that 10 DMP and DDP organizations would register to conduct business in the State.

To the extent MIA imposes civil penalties on persons who violate the bill's requirements, general fund revenues could increase. Any increase is expected to be minimal.

MIA could handle registration of these entities with existing budgeted resources.

Additional Information

Prior Introductions: This bill is similar to the third reader version of HB 1090 of 2005, which was passed by the House and received a favorable report from the Finance Committee. No further action was taken.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Medicaid), Maryland Insurance Administration, Department of Budget and Management (Employee Benefits Division), Department of Legislative Services

Fiscal Note History: First Reader - February 8, 2006
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