

Department of Legislative Services  
Maryland General Assembly  
2006 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 282 (Chairman, Finance Committee, *et al.*)  
(By Request – Departmental – Insurance Administration, Maryland)  
Finance Health and Government Operations

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Maryland Health Insurance Plan - Plan Independence, Board Composition, and  
Regulation

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This departmental bill removes the Maryland Health Insurance Plan (MHIP) from the Maryland Insurance Administration (MIA) and makes other administrative changes to the plan.

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Fiscal Summary

**State Effect:** The impact is small enough that it could be handled with existing resources of both MIA and MHIP. Current MIA administrative support for MHIP is minimal, and its elimination in FY 2009 and beyond would not result in any savings for MIA as existing positions supporting MHIP also perform current MIA functions.

**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.)

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Analysis

**Bill Summary:** The bill removes the Insurance Commissioner from MHIP's board and adds one member appointed by the Governor to represent health care providers in the State. The bill permits State agency board members to have designees serve on the board.

MHIP is regulated by the Insurance Commissioner; however, it is not subject to State insurance laws other than those related to: (1) MIA examinations; (2) provider panels and provider reimbursement; (3) continuation coverage provisions; (4) specialist referrals; (5) prescription drug coverage; (6) utilization review; (7) the complaint process for adverse decisions or grievances; (8) private review agents; (9) the complaint process for coverage decisions; and (10) unfair trade practices. If MHIP delivers services through an HMO or another specified delivery system, MHIP must comply with current HMO provisions in State law. MHIP is not subject to specified HMO penalties.

These exclusions from State insurance law do not limit the authority of the Insurance Commissioner to impose authorized penalties on a private review agent conducting utilization review on behalf of the plan. The Insurance Commissioner may not impose a fine or administrative penalty on MHIP. Instead, if the Commissioner finds that MHIP has violated specified provisions, the Commissioner may require MHIP to make restitution to each claimant who has suffered actual economic damages.

The board must develop a master plan document that sets forth in detail all the terms and conditions of the standard benefit package, including the types of benefits provided, any exclusions, and other specified conditions of coverage. The board must file the master plan with the Insurance Commissioner and provide a copy of the document to a member upon request. The board must develop a certificate of coverage informing members of their rights and obligations under the standard benefit package, and provide it to members. The bill specifies requirements the board must meet in order to make a change to the standard benefit package. It also specifies the effective dates of any changes.

The board must report to specified legislative committees by September 1 of each year on the current standard benefit package and any changes to the package implemented during the previous fiscal year. The bill states that if there is any conflict between a provision in the master plan document and a provision in the certificate of coverage, the provision that is most beneficial to the member will control.

MHIP must ensure that any entity with which it has contracted complies with the bill when performing services for MHIP that are subject to the bill.

The Insurance Commissioner must provide a copy of an adopted examination report or the results of any review conducted to the board and make recommendations for corrective action.

During fiscal 2007 and 2008, MIA must provide fiscal and personnel services to MHIP at no charge.

The bill applies to any contract that becomes effective, is entered into, or is modified on or after the bill's effective date.

**Current Law:** MHIP is an independent unit that operates within MIA. The purpose of MHIP is to decrease uncompensated care costs by providing access to affordable, comprehensive health benefits for medically uninsurable residents.

There is an MHIP board. The board must submit the plan of operation and any amendment to the Insurance Commissioner for approval. The board must also submit an annual audited financial report to the Insurance Commissioner. Each year, the plan administrator must submit to the Insurance Commissioner an accounting of medical claims incurred, administrative expenses, and premiums collected.

**Background:** MIA currently has some regulatory oversight of MHIP and the Insurance Commissioner is a member of MHIP's board. MIA believes this makes it difficult for the Commissioner to fully execute his duties in both roles. According to MIA, this relationship may create a conflict of interest that could be resolved by making MHIP an independent unit of government.

MHIP's fiscal 2007 budget is \$53 million, of which \$14 million is earmarked for its Senior Prescription Drug Assistance Program.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

**Fiscal Note History:** First Reader - February 2, 2006  
mll/jr Revised - Senate Third Reader - March 28, 2006

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