

# HOUSE BILL 487

C3

71r2428

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By: **Delegate Morhaim**

Introduced and read first time: February 6, 2007

Assigned to: Health and Government Operations

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 14, 2007

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Nonprofit Health Service Plans – Boards of Directors – Term Limits and**  
3 **Compensation**

4 FOR the purpose of altering the number of terms and the total number of years that  
5 may be served by a member of the board of directors of a nonprofit health  
6 service plan; altering the amount and type of compensation that may be  
7 received by a board member; ~~requiring the Maryland Insurance Commissioner~~  
8 ~~to make a certain review in a certain manner about the amount of compensation~~  
9 ~~to be paid to board members; requiring the Commissioner to submit a certain~~  
10 ~~report to certain committees of the General Assembly on or before a certain date~~  
11 ~~each year~~; altering the requirement that a certain corporation report certain  
12 information to the Maryland Insurance Commissioner; requiring a certain  
13 compensation committee to develop certain guidelines for certain compensation  
14 for board members; requiring the board of a nonprofit health service plan to  
15 provide a copy of certain guidelines to each member of the board; requiring the  
16 board of a nonprofit health service plan to adhere to certain guidelines in  
17 compensating the board members of the nonprofit health service plan; requiring  
18 the Commissioner to review certain compensation paid to board members; and  
19 generally relating to the boards of directors of nonprofit health service plans.

20 BY repealing and reenacting, with amendments,

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### EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 Article – Insurance  
 2 Section 14–115(e)(6) and (g) and 14–139(d)  
 3 Annotated Code of Maryland  
 4 (2006 Replacement Volume and 2006 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 14–115.

9 (e) (6) A member may not serve for more than:

10 (i) [two] **THREE** full terms; or

11 (ii) a total of more than [6] **9** years.

12 (g) (1) [Excluding reimbursement for ordinary and necessary expenses, a  
 13 board member, in any calendar year, may receive compensation not to exceed:

14 (i) \$15,000 for the chairman of the board or a board member  
 15 who is the chairman of a committee; or

16 (ii) \$12,000 for a board member who is not the chairman of the  
 17 board or a board committee.]

18 ~~(f)~~ **BOARD MEMBERS MAY RECEIVE THE FOLLOWING**  
 19 **COMPENSATION:**

20 ~~1. (I)~~ **REIMBURSEMENT FOR ORDINARY AND**  
 21 **NECESSARY EXPENSES; AND**

22 ~~2. (II)~~ **AN AMOUNT OF BASE COMPENSATION AND**  
 23 **COMPENSATION FOR ATTENDANCE AT MEETINGS ~~DETERMINED BY THE~~**  
 24 **COMMISSIONER IN ACCORDANCE WITH ~~SUBPARAGRAPH (H) OF THIS~~**  
 25 **~~PARAGRAPH~~ § 14–139 OF THIS SUBTITLE.**

26 ~~(H) THE COMMISSIONER AT LEAST ANNUALLY SHALL~~  
 27 ~~REVIEW THE AMOUNT OF BASE COMPENSATION AND COMPENSATION FOR~~  
 28 ~~ATTENDANCE AT MEETINGS TO BE PAID TO BOARD MEMBERS.~~

1                   ~~(III) IN EVALUATING THE FAIRNESS AND REASONABLENESS~~  
2 ~~OF THE PROPOSED COMPENSATION, THE COMMISSIONER SHALL TAKE INTO~~  
3 ~~ACCOUNT THE COMPENSATION PAID TO MEMBERS OF THE BOARDS OF OTHER~~  
4 ~~NONPROFIT HEALTH SERVICE PLANS, INSURERS, AND BLUECROSS~~  
5 ~~BLUESHIELD PLANS OF A SIMILAR SIZE.~~

6                   ~~(IV) ON OR BEFORE JANUARY 1 OF EACH YEAR, THE~~  
7 ~~COMMISSIONER SHALL REPORT, IN ACCORDANCE WITH § 2-1246 OF THE STATE~~  
8 ~~GOVERNMENT ARTICLE, THE RESULTS OF THE REVIEW UNDER SUBPARAGRAPH~~  
9 ~~(H) OF THIS PARAGRAPH TO THE SENATE FINANCE COMMITTEE AND THE~~  
10 ~~HOUSE HEALTH AND GOVERNMENT OPERATIONS COMMITTEE.~~

11                   (2) A board member may not receive more than the amount specified  
12 in paragraph (1) of this subsection for serving on more than one board of a corporation  
13 subject to this section.

14                   (3) (i) This paragraph applies to a corporation that is:

15   1. issued a certificate of authority as a nonprofit health  
16 service plan; and

17   2. the sole member of a corporation issued a certificate of  
18 authority as a nonprofit health service plan.

19                   (ii) [On or before March 1, 2004, and annually thereafter, a  
20 corporation subject to this paragraph shall report to the Commissioner on the amount  
21 of the ordinary and necessary expenses paid to each board member in the preceding  
22 calendar year.] **ON OR BEFORE JUNE 30 OF EACH CALENDAR YEAR, A**  
23 **CORPORATION SUBJECT TO THIS PARAGRAPH SHALL REPORT TO THE**  
24 **COMMISSIONER ON:**

25   **1. THE TOTAL AMOUNT OF BASE COMPENSATION,**  
26 **COMPENSATION FOR ATTENDANCE AT MEETINGS, AND REIMBURSEMENT FOR**  
27 **ORDINARY AND NECESSARY EXPENSES PAID TO EACH BOARD MEMBER IN THE**  
28 **PRECEDING CALENDAR YEAR; AND**

29   **2. THE PROPOSED ANNUAL COMPENSATION,**  
30 **TOGETHER WITH NECESSARY SUPPORTING DOCUMENTATION, TO BE PAID TO**  
31 **BOARD MEMBERS FOR THE NEXT CALENDAR YEAR.**

1 14-139.

2 (d) (1) The compensation committee of the board shall:

3 (i) identify nonprofit health service plans in the United States  
 4 that are similar in size and scope to the nonprofit health service plan managed by the  
 5 board; and

6 (ii) develop proposed guidelines, for approval by the board[,]:

7 1. for compensation, including salary, bonuses, and  
 8 perquisites, of all officers and executives that is reasonable in comparison to  
 9 compensation for officers and executives of similar nonprofit health service plans; AND

10 2. FOR COMPENSATION FOR BOARD MEMBERS THAT  
 11 IS REASONABLE IN COMPARISON TO COMPENSATION FOR BOARD MEMBERS OF  
 12 SIMILAR NONPROFIT HEALTH SERVICE PLANS.

13 (2) The board shall review the proposed guidelines at least annually.

14 (3) The board shall:

15 (i) provide a copy of the approved guidelines:

16 1. to each officer and executive of the nonprofit health  
 17 service plan;

18 2. to each candidate for an officer or executive position  
 19 with the nonprofit health service plan; [and]

20 3. TO EACH BOARD MEMBER OF THE NONPROFIT  
 21 HEALTH SERVICE PLAN; AND

22 4. on or before September 1, 2004, and annually  
 23 thereafter, to the Commissioner; and

24 (ii) adhere to the approved guidelines in compensating the  
 25 officers, [and] executives, AND BOARD MEMBERS of the nonprofit health service plan.

26 (4) On an annual basis, the Commissioner shall review:

1                    (I) the compensation paid by the nonprofit health service plan  
2 to each officer and executive; AND

3                    (II) THE BASE COMPENSATION AND COMPENSATION FOR  
4 ATTENDANCE AT MEETINGS PAID BY THE NONPROFIT HEALTH SERVICE PLAN TO  
5 BOARD MEMBERS.

6                    (5) If the Commissioner finds that the compensation exceeds the  
7 amount authorized under the approved guidelines, the Commissioner shall issue an  
8 order prohibiting payment of the excess amount.

9                    SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
10 October 1, 2007.

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.