

# HOUSE BILL 754

C3, J1, Q3

71r0459

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By: **Delegates Hammen, Ali, Anderson, Aumann, Barkley, Barnes, Barve, Beidle, Benson, Bobo, Branch, Braveboy, Bronrott, Cane, Cardin, Carter, G. Clagett, V. Clagett, Conway, Davis, Donoghue, Doory, Dumais, Elliott, Elmore, Feldman, Frush, Gaines, Gilchrist, Glenn, Goldwater, Griffith, Gutierrez, Guzzone, Harrison, Haynes, Healey, Hecht, Heller, Hixson, Holmes, Howard, Hubbard, Hucker, Ivey, Jones, Kaiser, N. King, Kirk, Kramer, Krysiak, Kullen, Lafferty, Lawton, Levi, Love, Manno, McHale, McIntosh, Mizeur, Montgomery, Morhaim, Nathan-Pulliam, Niemann, Oaks, Pena-Melnyk, Pendergrass, Proctor, Ramirez, Rice, Robinson, Rosenberg, Ross, Simmons, Stein, Stukes, Tarrant, Taylor, F. Turner, Vallario, Vaughn, Waldstreicher, Walker, Weir, and Weldon**

Introduced and read first time: February 8, 2007

Assigned to: Health and Government Operations and Ways and Means

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## A BILL ENTITLED

1 AN ACT concerning

2 **Children and Working Families Health Care Act of 2007**

3 FOR the purpose of requiring the Maryland Medical Assistance Program to provide,  
4 subject to certain conditions, certain medical care and other health care services  
5 to certain parents with certain income and to certain adults with certain  
6 income; altering certain eligibility requirements for participation in the  
7 Maryland Children's Health Program; requiring the Department of Health and  
8 Mental Hygiene to establish a certain annual family contribution; requiring the  
9 Department to adopt certain regulations; establishing a Health Care Coverage  
10 Fund; establishing the sources and uses of the Health Care Coverage Fund;  
11 requiring the State Treasurer to invest the money in the Fund in a certain  
12 manner; providing that any investment earnings of the Fund shall be retained  
13 to the credit of the Fund; requiring expenditures from the Fund to be made only  
14 in accordance with the State budget; providing that the Fund is subject to audit  
15 by the Office of Legislative Audits; establishing the Health Insurance Premium

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Subsidy Program in the Department; establishing the purposes, eligibility  
2 requirements, and funding for the Program; requiring the Department to design  
3 and develop a plan for the Program that meets certain requirements; requiring  
4 the Department, on or before a certain date, to report to certain legislative  
5 committees on the details of the plan; requiring the State Health Services Cost  
6 Review Commission to adopt certain regulations and make a certain report on  
7 or before a certain date; requiring the Commission to establish certain  
8 standards and benchmarks in conjunction with certain entities; authorizing the  
9 Maryland Health Insurance Plan Fund to transfer certain moneys to the Health  
10 Care Coverage Fund; altering the purposes of the Maryland Health Care  
11 Provider Rate Stabilization Fund; authorizing certain revenue remaining in the  
12 Fund after a certain fiscal year to be transferred to the Health Care Coverage  
13 Fund; requiring each employer in the State with a certain number of employees  
14 to adopt and maintain a certain cafeteria plan; providing certain penalties for a  
15 violation of certain provisions of this Act; altering the distribution of tobacco  
16 tax revenues; providing for the distribution of certain tobacco tax revenues to  
17 the Health Care Coverage Fund for certain purposes; altering the tobacco tax  
18 rate imposed on cigarettes; altering the tobacco tax rate imposed on certain  
19 tobacco products other than cigarettes; requiring each group or individual  
20 health benefit plan issued or delivered in the State by certain carriers to permit  
21 a child to continue coverage under the plan under certain circumstances and for  
22 a certain period of time; making certain provisions of law applicable to health  
23 maintenance organizations; authorizing certain carriers in the small group  
24 insurance market to offer a discounted rate for participation in certain wellness  
25 activities; altering the definition of “creditable coverage” for purposes of certain  
26 insurance requirements; imposing a surcharge on the income tax of certain  
27 individuals with income above a certain level; providing that the surcharge does  
28 not apply under certain circumstances; providing for certain exceptions;  
29 requiring the revenues from the surcharge to be distributed to the Health Care  
30 Coverage Fund; requiring an employer to base withholding for certain  
31 employees on a certain number of exemptions under certain circumstances;  
32 requiring the Secretary of Health and Mental Hygiene to develop a certain plan  
33 to improve the quality and cost-effectiveness of care for certain individuals and  
34 to make a certain report on the plan; requiring the Department of Budget and  
35 Management and the Department of Health and Mental Hygiene to jointly  
36 develop a certain wellness incentive pilot program; requiring the Departments  
37 to implement the plan on or before a certain date; requiring the Maryland  
38 Health Care Commission and the State Health Services Cost Review  
39 Commission to collaborate in seeking a proposal to establish a certain regional  
40 health information exchange; requiring the Department of Health and Mental  
41 Hygiene to seek approval of a certain waiver to use certain federal matching  
42 funds for a certain purpose; prohibiting the Department from implementing  
43 Medicaid eligibility for certain adults, if the Department is denied the waiver;

1 requiring the Maryland Health Care Commission to conduct a study of a health  
2 insurance exchange and to report the results of the study to certain legislative  
3 committees on or before a certain date; authorizing the State Health Services  
4 Cost Review Commission to assess a certain amount in hospital rates under  
5 certain circumstances to be remitted to the Health Care Coverage Fund;  
6 requiring the Comptroller to widely publicize the requirements of this Act for a  
7 certain purpose; defining certain terms; altering certain definitions; providing  
8 for the application of certain provisions of this Act; providing for a delayed  
9 effective date for certain provisions of this Act; providing for the termination of  
10 certain provisions of this Act; providing for the effective date of certain  
11 provisions of this Act; making certain provisions of this Act null and void, under  
12 certain circumstances; requiring the Department to forward a copy of a certain  
13 notice to the Department of Legislative Services; and generally relating to the  
14 Maryland Health Care Coverage Act.

15 BY repealing and reenacting, with amendments,  
16 Article – Health – General  
17 Section 15–103(a), 15–301(b) and (c), 15–301.1, and 19–219(b)  
18 Annotated Code of Maryland  
19 (2005 Replacement Volume and 2006 Supplement)

20 BY repealing and reenacting, without amendments,  
21 Article – Health – General  
22 Section 15–301(a) and 19–219(a)  
23 Annotated Code of Maryland  
24 (2005 Replacement Volume and 2006 Supplement)

25 BY adding to  
26 Article – Health – General  
27 Section 15–701 to be under the new subtitle “Subtitle 7. Health Care Coverage  
28 Fund”; 15–801 through 15–804 to be under the new subtitle “Subtitle 8.  
29 Health Insurance Premium Subsidy Program”; 19–214(d) and  
30 19–706(jjj)  
31 Annotated Code of Maryland  
32 (2005 Replacement Volume and 2006 Supplement)

33 BY repealing and reenacting, without amendments,  
34 Article – Insurance  
35 Section 14–504(a), 15–1201(a), 19–802(a), and 19–803(a) and (b)  
36 Annotated Code of Maryland  
37 (2006 Replacement Volume and 2006 Supplement)

38 BY repealing and reenacting, with amendments,

1 Article – Insurance  
2 Section 14–504(e), 15–1205, 15–1301(f)(1), 19–802(b), 19–803(c), and 19–804  
3 Annotated Code of Maryland  
4 (2006 Replacement Volume and 2006 Supplement)

5 BY adding to  
6 Article – Insurance  
7 Section 15–418 and 15–1201(r)  
8 Annotated Code of Maryland  
9 (2006 Replacement Volume and 2006 Supplement)

10 BY adding to  
11 Article – Labor and Employment  
12 Section 12–101 through 12–103 to be under the new title “Title 12. Cafeteria  
13 Plan”  
14 Annotated Code of Maryland  
15 (1999 Replacement Volume and 2006 Supplement)

16 BY repealing and reenacting, without amendments,  
17 Article – Tax – General  
18 Section 2–1601 and 2–1602  
19 Annotated Code of Maryland  
20 (2004 Replacement Volume and 2006 Supplement)

21 BY repealing and reenacting, with amendments,  
22 Article – Tax – General  
23 Section 2–1603, 10–910(b), and 12–105  
24 Annotated Code of Maryland  
25 (2004 Replacement Volume and 2006 Supplement)

26 BY adding to  
27 Article – Tax – General  
28 Section 2–1604 and 10–106.2  
29 Annotated Code of Maryland  
30 (2004 Replacement Volume and 2006 Supplement)

31 BY repealing and reenacting, with amendments,  
32 Chapter 280 of the Acts of the General Assembly of 2005  
33 Section 7

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

**Article – Health – General**

15–103.

(a) (1) The Secretary shall administer the Maryland Medical Assistance Program.

(2) The Program:

(i) Subject to the limitations of the State budget, shall provide medical and other health care services for indigent individuals or medically indigent individuals or both;

(ii) Shall provide, subject to the limitations of the State budget, comprehensive medical and other health care services for all eligible pregnant women whose family income is at or below 250 percent of the poverty level, as permitted by the federal law;

(iii) Shall provide, subject to the limitations of the State budget, comprehensive medical and other health care services for all eligible children currently under the age of 1 whose family income falls below 185 percent of the poverty level, as permitted by federal law;

(iv) Shall provide, subject to the limitations of the State budget, family planning services to women currently eligible for comprehensive medical care and other health care under item (ii) of this paragraph for 5 years after the second month following the month in which the woman delivers her child;

(v) Shall provide, subject to the limitations of the State budget, comprehensive medical and other health care services for all children from the age of 1 year up through and including the age of 5 years whose family income falls below 133 percent of the poverty level, as permitted by the federal law;

(vi) Shall provide, subject to the limitations of the State budget, comprehensive medical care and other health care services for all children who are at least 6 years of age but are under 19 years of age whose family income falls below 100 percent of the poverty level, as permitted by federal law;

(vii) Shall provide, subject to the limitations of the State budget, comprehensive medical care and other health care services for all legal immigrants who meet Program eligibility standards and who arrived in the United States before August 22, 1996, the effective date of the federal Personal Responsibility and Work Opportunity Reconciliation Act, as permitted by federal law;

1 (viii) Shall provide, subject to the limitations of the State budget  
2 and any other requirements imposed by the State, comprehensive medical care and  
3 other health care services for all legal immigrant children under the age of 18 years  
4 and pregnant women who meet Program eligibility standards and who arrived in the  
5 United States on or after August 22, 1996, the effective date of the federal Personal  
6 Responsibility and Work Opportunity Reconciliation Act;

7 (IX) SHALL PROVIDE, SUBJECT TO THE LIMITATIONS OF THE  
8 STATE BUDGET, AND AS PERMITTED BY FEDERAL LAW, COMPREHENSIVE  
9 MEDICAL CARE AND OTHER HEALTH CARE SERVICES FOR ALL PARENTS:

10 1. WHO HAVE A DEPENDENT CHILD LIVING IN THE  
11 PARENTS' HOME; AND

12 2. WHOSE ANNUAL HOUSEHOLD INCOME IS AT OR  
13 BELOW 116% OF THE POVERTY LEVEL;

14 (X) SHALL PROVIDE, SUBJECT TO THE LIMITATIONS OF THE  
15 STATE BUDGET, AND AS PERMITTED BY FEDERAL LAW, COMPREHENSIVE  
16 MEDICAL CARE AND OTHER HEALTH CARE SERVICES FOR ADULTS:

17 1. WHO DO NOT MEET REQUIREMENTS, SUCH AS  
18 AGE, DISABILITY, OR PARENT OF A DEPENDENT CHILD, FOR A FEDERAL  
19 CATEGORY OF ELIGIBILITY FOR MEDICAID; AND

20 2. WHOSE ANNUAL HOUSEHOLD INCOME IS AT OR  
21 BELOW 116% OF THE POVERTY LEVEL;

22 [(ix)] (XI) May include bedside nursing care for eligible Program  
23 recipients; and

24 [(x)] (XII) Shall provide services in accordance with funding  
25 restrictions included in the annual State budget bill.

26 (3) Subject to restrictions in federal law or waivers, the Department  
27 may:

28 (I) [impose] IMPOSE cost-sharing on Program recipients; AND

1                   **(II) LIMIT THE BENEFIT PACKAGE OFFERED TO ADULTS**  
2 **WHO DO NOT MEET REQUIREMENTS FOR A FEDERAL CATEGORY OF ELIGIBILITY**  
3 **FOR MEDICAID.**

4 15-301.

5           (a) There is a Maryland Children's Health Program.

6           (b) The Maryland Children's Health Program shall provide, subject to the  
7 limitations of the State budget and any other requirements imposed by the State and  
8 as permitted by federal law or waiver, comprehensive medical care and other health  
9 care services to an individual [who has a family income at or below 300 percent of the  
10 federal poverty guidelines and] who is under the age of 19 years.

11          (c) The Maryland Children's Health Program shall be administered:

12           (1) [Except as provided in item (3) of this subsection, for] **FOR**  
13 individuals whose family income is at or below [200 percent] **200%** of the federal  
14 poverty guidelines, through the Program under Subtitle 1 of this title requiring  
15 individuals to enroll in managed care organizations; **OR**

16           (2) For eligible individuals whose family income is above [200 percent,  
17 but at or below 300 percent] **200%** of the federal poverty guidelines, through the  
18 MCHP premium plan under § 15-301.1 of this subtitle[]; or

19           (3) In fiscal year 2004 only, for eligible individuals whose family  
20 income is above 185 percent, but at or below 300 percent of the federal poverty  
21 guidelines, through the MCHP premium plan under § 15-301.1 of this subtitle].

22 15-301.1.

23          (a) (1) In this section the following words have the meanings indicated.

24           (2) "Eligible individual" means an individual who qualifies to  
25 participate in the Maryland Children's Health Program under § 15-301(b) of this  
26 subtitle **AND WHOSE FAMILY INCOME IS ABOVE 200% OF THE FEDERAL POVERTY**  
27 **GUIDELINES.**

28           (3) "Family contribution" means the portion of the premium cost paid  
29 for an eligible individual to enroll and participate in the Maryland Children's Health  
30 Program.

1 (4) "MCHP premium plan" means the plan established under this  
2 section to provide access to health insurance coverage to eligible individuals through  
3 managed care organizations under the Maryland Children's Health Program.

4 [(b) Except as provided in subsection (c) of this section, this section applies  
5 only to individuals whose family income is above 200 percent, but at or below 300  
6 percent of the federal poverty guidelines.]

7 [(c)] **(B)** (1) As a requirement of enrollment and participation in the  
8 MCHP premium plan, the parent or guardian of an eligible individual shall agree to  
9 pay [the following] **AN** annual family contribution[:

10 (i) In fiscal year 2004 only, for an eligible individual whose  
11 family income is above 185 percent, but at or below 200 percent of the federal poverty  
12 guidelines, an amount equal to 2 percent of the annual income of a family of two at  
13 185 percent of the federal poverty guidelines;

14 (ii) For an eligible individual whose family income is above 200  
15 percent, but at or below 250 percent of the federal poverty guidelines, an amount equal  
16 to 2 percent of the annual income of a family of two at 200 percent of the federal  
17 poverty guidelines; and

18 (iii) For an eligible individual whose family income is above 250  
19 percent, but at or below 300 percent of the federal poverty guidelines, an amount equal  
20 to 2 percent of the annual income of a family of two at 250 percent of the federal  
21 poverty guidelines.

22 (2) The family contribution amounts required under paragraph (1) of  
23 this subsection apply on a per family basis regardless of the number of eligible  
24 individuals each family has enrolled in the MCHP premium plan].

25 **(2) THE DEPARTMENT SHALL ESTABLISH AN ANNUAL FAMILY**  
26 **CONTRIBUTION THAT:**

27 **(I) IS REASONABLE, ACCORDING TO THE FAMILY INCOME;**  
28 **AND**

29 **(II) ENCOURAGES ENROLLMENT OF ALL ELIGIBLE**  
30 **INDIVIDUALS.**



1           **(3) THE ANNUAL FAMILY CONTRIBUTION FOR AN ELIGIBLE**  
2 **INDIVIDUAL WHOSE FAMILY INCOME IS ABOVE 400% OF FEDERAL PROVERTY**  
3 **GUIDELINES SHALL BE BASED ON FULL BENEFIT COSTS.**

4           **[(d)] (C) (1) The Department shall adopt regulations necessary to**  
5 **implement this section.**

6           **(2) THE REGULATIONS MAY PROVIDE INCENTIVES FOR ELIGIBLE**  
7 **INDIVIDUALS TO ENROLL IN ANY EMPLOYER-SPONSORED INSURANCE THAT MAY**  
8 **BE AVAILABLE TO THEM.**

9                           **SUBTITLE 7. HEALTH CARE COVERAGE FUND.**

10 **15-701.**

11           **(A) IN THIS SUBTITLE, "FUND" MEANS THE HEALTH CARE COVERAGE**  
12 **FUND.**

13           **(B) THERE IS A HEALTH CARE COVERAGE FUND.**

14           **(C) THE PURPOSE OF THE FUND IS TO SUPPORT HEALTH CARE**  
15 **COVERAGE FOR INDIVIDUALS AND FAMILIES WITH LOW AND MODERATE**  
16 **INCOME.**

17           **(D) THE DEPARTMENT SHALL ADMINISTER THE FUND.**

18           **(E) (1) THE FUND IS A SPECIAL, NONLAPSING FUND THAT IS NOT**  
19 **SUBJECT TO § 7-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.**

20                       **(2) THE STATE TREASURER SHALL HOLD THE FUND**  
21 **SEPARATELY, AND THE COMPTROLLER SHALL ACCOUNT FOR THE FUND.**

22           **(F) THE FUND CONSISTS OF:**

23                       **(1) TOBACCO TAX REVENUES DISTRIBUTED TO THE FUND UNDER**  
24 **§ 2-1604 OF THE TAX - GENERAL ARTICLE;**

25                       **(2) SURCHARGE REVENUE DISTRIBUTED TO THE FUND UNDER §**  
26 **10-106.2 OF THE TAX - GENERAL ARTICLE;**

1           **(3) ANY MONEYS TRANSFERRED FROM THE MARYLAND HEALTH**  
2 **INSURANCE PLAN FUND UNDER § 14-504 OF THE INSURANCE ARTICLE;**

3           **(4) ANY MONEYS TRANSFERRED FROM THE MARYLAND HEALTH**  
4 **CARE PROVIDER RATE STABILIZATION FUND UNDER TITLE 19, SUBTITLE 8 OF**  
5 **THE INSURANCE ARTICLE;**

6           **(5) ANY MONEYS COLLECTED FROM ANY ASSESSMENT BY THE**  
7 **HEALTH SERVICES COST REVIEW COMMISSION ON HOSPITALS UNDER §**  
8 **19-214(D) OF THIS ARTICLE;**

9           **(6) ANY MONEYS MADE AVAILABLE FROM INVESTMENT**  
10 **EARNINGS; AND**

11           **(7) ANY OTHER MONEY FROM ANY OTHER SOURCE ACCEPTED**  
12 **FOR THE BENEFIT OF THE FUND.**

13           **(G) (1) THE FUND SHALL BE INVESTED AND REINVESTED IN THE**  
14 **SAME MANNER AS OTHER STATE FUNDS.**

15           **(2) ANY INVESTMENT EARNINGS SHALL BE CREDITED TO THE**  
16 **FUND.**

17           **(H) THE FUND MAY BE USED ONLY FOR EXPENSES ASSOCIATED WITH:**

18           **(1) EXPANDING MEDICAID ELIGIBILITY FOR PARENTS:**

19           **(I) WHO HAVE A DEPENDENT CHILD LIVING WITH THEM;**  
20 **AND**

21           **(II) WHOSE ANNUAL HOUSEHOLD INCOME IS AT OR BELOW**  
22 **116% OF THE FEDERAL POVERTY GUIDELINES;**

23           **(2) EXPANDING MEDICAID ELIGIBILITY FOR INDIVIDUALS:**

24           **(I) WHO DO NOT MEET REQUIREMENTS, SUCH AS AGE,**  
25 **DISABILITY, OR PARENT OF A DEPENDENT CHILD, FOR A FEDERAL CATEGORY**  
26 **OF ELIGIBILITY FOR MEDICAID; AND**

1                   **(II) WHOSE ANNUAL HOUSEHOLD INCOME IS AT OR BELOW**  
2 **116% OF THE FEDERAL POVERTY GUIDELINES;**

3                   **(3) EXPANDING MARYLAND CHILDREN'S HEALTH PROGRAM**  
4 **ELIGIBILITY, AS PROVIDED IN §§ 15-301 AND 15-301.1 OF THIS TITLE, FOR**  
5 **INDIVIDUALS WITH FAMILY INCOME ABOVE 300%, BUT AT OR BELOW 400%, OF**  
6 **THE FEDERAL POVERTY GUIDELINES;**

7                   **(4) PROVIDING HEALTH INSURANCE PREMIUM SUBSIDIES AND**  
8 **INCENTIVE PAYMENTS UNDER SUBTITLE 8 OF THIS TITLE;**

9                   **(5) EXPANDING SUBSTANCE ABUSE TREATMENT SERVICES; AND**

10                  **(6) EXPANDING SMOKING CESSATION INITIATIVES.**

11                  **(I) EXPENDITURES FROM THE FUND MAY BE MADE ONLY IN**  
12 **ACCORDANCE WITH THE STATE BUDGET.**

13                  **(J) (1) REVENUE RECEIVED FROM THE TOBACCO TAX UNDER §**  
14 **2-1604 OF THE TAX - GENERAL ARTICLE SHALL BE ALLOCATED AS FOLLOWS:**

15                         **(I) THE FIRST \$210,000,000 IN REVENUE MAY ONLY BE**  
16 **USED FOR THE PURPOSES OF SUBSECTION (H)(1), (2), AND (3) OF THIS SECTION;**  
17 **AND**

18                         **(II) AFTER MAKING THE ONETIME ALLOCATION IN ITEM (I)**  
19 **OF THIS PARAGRAPH, THE PRIORITY ORDER FOR ALLOCATING REVENUE**  
20 **RECEIVED IN ANY FISCAL YEAR SHALL BE AS FOLLOWS:**

21                                 **1. THE FIRST \$140,000,000 FOR THE PURPOSE OF**  
22 **SUBSECTION (H)(4) OF THIS SECTION;**

23                                 **2. \$30,000,000 OF ANY REMAINING REVENUE FOR**  
24 **THE PURPOSE OF SUBSECTION (H)(5) OF THIS SECTION; AND**

25                                 **3. \$10,000,000 OF ANY REMAINING REVENUE FOR**  
26 **THE PURPOSE OF SUBSECTION (H)(6) OF THIS SECTION.**

1           **(2) ANY REVENUE RECEIVED FROM THE TOBACCO TAX UNDER §**  
2 **2-1604 OF THE TAX - GENERAL ARTICLE THAT EXCEEDS THE AMOUNTS**  
3 **ALLOCATED IN PARAGRAPH (1)(II) OF THIS SUBSECTION MAY BE USED FOR ANY**  
4 **PURPOSE LISTED IN SUBSECTION (H) OF THIS SECTION.**

5           **(K) MONEY FROM THE FUND SHALL SUPPLEMENT AND MAY NOT**  
6 **SUPLANT FUNDING FOR THE MARYLAND MEDICAL ASSISTANCE PROGRAM**  
7 **AND THE MARYLAND CHILDREN'S HEALTH PROGRAM.**

8           **(L) THE FUND IS SUBJECT TO AUDIT BY THE OFFICE OF LEGISLATIVE**  
9 **AUDITS.**

10           **SUBTITLE 8. HEALTH INSURANCE PREMIUM SUBSIDY PROGRAM.**

11 **15-801.**

12           **IN THIS SUBTITLE, "PROGRAM" MEANS THE HEALTH INSURANCE**  
13 **PREMIUM SUBSIDY PROGRAM.**

14 **15-802.**

15           **(A) THERE IS A HEALTH INSURANCE PREMIUM SUBSIDY PROGRAM IN**  
16 **THE DEPARTMENT.**

17           **(B) THE PURPOSES OF THE PROGRAM ARE TO:**

18                   **(1) PROVIDE AN INCENTIVE FOR SMALL EMPLOYERS TO OFFER**  
19 **HEALTH INSURANCE TO THEIR EMPLOYEES;**

20                   **(2) ASSIST INDIVIDUALS AND FAMILIES WITH MODERATE INCOME**  
21 **TO AFFORD HEALTH INSURANCE;**

22                   **(3) PROMOTE ACCESS TO HEALTH CARE SERVICES,**  
23 **PARTICULARLY PREVENTIVE HEALTH CARE SERVICES THAT MIGHT REDUCE**  
24 **THE NEED FOR EMERGENCY ROOM CARE AND OTHER ACUTE CARE SERVICES;**  
25 **AND**

26                   **(4) REDUCE UNCOMPENSATED CARE IN HOSPITALS AND OTHER**  
27 **HEALTH CARE SETTINGS.**

1           (C) FUNDING FOR THE PROGRAM SHALL BE PROVIDED FROM THE  
2 HEALTH CARE COVERAGE FUND ESTABLISHED UNDER SUBTITLE 7 OF THIS  
3 TITLE.

4 **15-803.**

5           TO BE ELIGIBLE FOR A SUBSIDY UNDER THE PROGRAM, AN INDIVIDUAL  
6 OR FAMILY:

7           (1) SHALL HAVE HOUSEHOLD INCOME AT OR BELOW 300% OF  
8 THE FEDERAL POVERTY GUIDELINES;

9           (2) MAY NOT HAVE BEEN COVERED BY HEALTH INSURANCE FOR  
10 AT LEAST 6 CONSECUTIVE MONTHS AT THE TIME OF APPLICATION FOR THE  
11 PROGRAM;

12           (3) SHALL RESIDE IN THE STATE;

13           (4) SHALL AGREE TO PAY INSURANCE PREMIUMS AND ADHERE TO  
14 OTHER REQUIRED PROVISIONS OF A HEALTH INSURANCE POLICY; AND

15           (5) SHALL SATISFY ANY OTHER ELIGIBILITY REQUIREMENTS  
16 ESTABLISHED BY THE DEPARTMENT.

17 **15-804.**

18           (A) THE DEPARTMENT SHALL DESIGN AND DEVELOP A PLAN FOR A  
19 HEALTH INSURANCE PREMIUM SUBSIDY PROGRAM THAT MEETS THE  
20 REQUIREMENTS OF THIS SUBTITLE.

21           (B) THE PLAN:

22           (1) SHALL INCLUDE SUBSIDIES FOR PREMIUM CONTRIBUTIONS:

23           (I) MADE BY INDIVIDUALS AND FAMILIES WHO MEET THE  
24 ELIGIBILITY REQUIREMENTS UNDER § 15-803 OF THIS SUBTITLE; AND

1                   **(II) ON A SLIDING SCALE BASED ON INCOME, WITH**  
2 **SUBSIDIES DECREASING AS INCOME RISES;**

3                   **(2) MAY INCLUDE INCENTIVE PAYMENTS FOR SMALL EMPLOYERS**  
4 **THAT CONTRIBUTE TO PAYMENT OF PREMIUMS ON BEHALF OF EMPLOYEES WHO**  
5 **MEET THE ELIGIBILITY REQUIREMENTS UNDER § 15-803 OF THIS SUBTITLE;**

6                   **(3) MAY PROVIDE SUBSIDIES AND INCENTIVE PAYMENTS UNDER:**

7                   **(I) A STATE-SPONSORED HEALTH INSURANCE PROGRAM;**  
8 **OR**

9                   **(II) HEALTH BENEFIT PLANS OFFERED BY INSURERS,**  
10 **NONPROFIT HEALTH SERVICE PLANS, AND HEALTH MAINTENANCE**  
11 **ORGANIZATIONS;**

12                   **(4) SHALL BE IMPLEMENTED BEGINNING ON JULY 1, 2008; AND**

13                   **(5) SHALL BE SUPPORTED BY TOBACCO TAX REVENUES UNDER**  
14 **THE HEALTH CARE COVERAGE FUND IN SUBTITLE 7 OF THIS TITLE.**

15                   **(C) ON OR BEFORE JANUARY 1, 2008, THE DEPARTMENT SHALL**  
16 **REPORT TO THE GENERAL ASSEMBLY, IN ACCORDANCE WITH § 2-1246 OF THE**  
17 **STATE GOVERNMENT ARTICLE, ON THE DETAILS OF THE PLAN.**

18 19-214.

19                   **(D) (1) IF THE EXPANSION OF HEALTH CARE COVERAGE UNDER**  
20 **CHAPTER \_\_ (S.B.\_\_/ H.B. \_\_) (7LR0459) OF THE ACTS OF THE GENERAL**  
21 **ASSEMBLY OF 2007 REDUCES HOSPITAL UNCOMPENSATED CARE, THE**  
22 **COMMISSION MAY ASSESS AN AMOUNT IN HOSPITAL RATES UP TO THE AMOUNT**  
23 **OF THE RESULTING SAVINGS REALIZED IN HOSPITAL UNCOMPENSATED CARE.**

24                   **(2) EACH HOSPITAL SHALL REMIT ANY ASSESSMENT UNDER THIS**  
25 **SUBSECTION TO THE HEALTH CARE COVERAGE FUND ESTABLISHED UNDER §**  
26 **15-701 OF THIS ARTICLE.**

27 19-219.

1 (a) The Commission may review costs and rates and make any investigation  
2 that the Commission considers necessary to assure each purchaser of health care  
3 facility services that:

4 (1) The total costs of all hospital services offered by or through a  
5 facility are reasonable;

6 (2) The aggregate rates of the facility are related reasonably to the  
7 aggregate costs of the facility; and

8 (3) The rates are set equitably among all purchasers or classes of  
9 purchasers without undue discrimination or preference.

10 (b) (1) To carry out its powers under subsection (a) of this section, the  
11 Commission may review and approve or disapprove the reasonableness of any rate  
12 that a facility sets or requests.

13 (2) A facility shall charge for services only at a rate set in accordance  
14 with this subtitle.

15 (3) In determining the reasonableness of rates, the Commission may  
16 take into account objective standards of efficiency and effectiveness.

17 (4) (I) **ON OR BEFORE JULY 1, 2008, THE COMMISSION SHALL:**

18 **1. ADOPT REGULATIONS THAT PROVIDE INCENTIVES**  
19 **WITHIN HOSPITAL PAYMENT STANDARDS FOR ADHERENCE TO QUALITY**  
20 **STANDARDS AND ACHIEVEMENT OF PERFORMANCE BENCHMARKS; AND**

21 **2. REPORT TO THE SENATE FINANCE COMMITTEE**  
22 **AND THE HOUSE HEALTH AND GOVERNMENT OPERATIONS COMMITTEE, IN**  
23 **ACCORDANCE WITH § 2-1246 OF THE STATE GOVERNMENT ARTICLE, A PLAN TO**  
24 **ANALYZE DATA COLLECTED UNDER THE COMMISSION'S QUALITY-BASED**  
25 **REIMBURSEMENT PROJECT THAT INDICATE WHETHER THERE ARE RACIAL AND**  
26 **ETHNIC DISPARITIES IN ADHERENCE TO QUALITY STANDARDS AND**  
27 **PERFORMANCE BENCHMARKS.**

28 **(II) THE COMMISSION SHALL ESTABLISH QUALITY**  
29 **STANDARDS AND PERFORMANCE BENCHMARKS IN CONJUNCTION WITH THE**  
30 **MARYLAND HEALTH CARE COMMISSION AND THE OFFICE OF HEALTH CARE**  
31 **QUALITY.**

1 **Article – Insurance**

2 14–504.

3 (a) (1) There is a Maryland Health Insurance Plan Fund.

4 (2) The Fund is a special nonlapsing fund that is not subject to §  
5 7–302 of the State Finance and Procurement Article.

6 (3) The Treasurer shall separately hold and the Comptroller shall  
7 account for the Fund.

8 (4) The Fund shall be invested and reinvested at the direction of the  
9 Board in a manner that is consistent with the requirements of Title 5, Subtitle 6 of  
10 this article.

11 (5) Any investment earnings shall be retained to the credit of the  
12 Fund.

13 (6) On an annual basis, the Fund shall be subject to an independent  
14 actuarial review setting forth an opinion relating to reserves and related actuarial  
15 items held in support of policies and contracts.

16 (7) The Fund shall be used only to provide funding for the purposes  
17 authorized under this subtitle.

18 (e) (1) In addition to the operation and administration of the Plan, the  
19 Fund:

20 (I) shall be used for the operation and administration of the  
21 Senior Prescription Drug Assistance Program established under Part II of this  
22 subtitle; **AND**

23 (II) **MAY TRANSFER MONEYS RECEIVED FROM THE**  
24 **ASSESSMENT ON HOSPITALS UNDER § 19-219 OF THE HEALTH – GENERAL**  
25 **ARTICLE TO THE HEALTH CARE COVERAGE FUND UNDER TITLE 15, SUBTITLE**  
26 **7 OF THE HEALTH – GENERAL ARTICLE TO BE USED FOR ANY PURPOSE**  
27 **ELIGIBLE FOR SUPPORT BY THE FUND.**



1           (2)    The Board shall maintain separate accounts within the Fund for  
2 the Senior Prescription Drug Assistance Program and the Maryland Health Insurance  
3 Plan.

4           (3)    Accounts within the Fund shall contain those moneys that are  
5 intended to support the operation of the Program for which the account is designated.

6 19–802.

7           (a)    There is a Maryland Health Care Provider Rate Stabilization Fund.

8           (b)    The purposes of the Fund are to:

9                (1)    retain health care providers in the State by:

10                    (I)    allowing medical professional liability insurers to collect  
11 rates that are less than the rates approved under § 11–201 of this article; **AND**

12                    **(II)    EXPANDING HEALTH CARE COVERAGE OF LOW- AND**  
13 **MODERATE-INCOME INDIVIDUALS TO ENABLE THEM TO PAY FOR HEALTH CARE;**

14                (2)    increase fee-for-service rates paid by the Maryland Medical  
15 Assistance Program to health care providers identified under § 19–807 of this subtitle;

16                (3)    pay managed care organization health care providers identified  
17 under § 19–807 of this subtitle consistent with fee-for-service health care provider  
18 rates;

19                (4)    increase capitation payments to managed care organizations  
20 participating in the Maryland Medical Assistance Program consistent with §  
21 15–103(b)(18) of the Health – General Article; and

22                (5)    during the period that an allocation is made to the Rate  
23 Stabilization Account, subsidize up to \$350,000 annually to provide for the costs  
24 incurred by the Commissioner to administer the Fund.

25 19–803.

26           (a)    The Commissioner shall administer the Fund.

27           (b)    Notwithstanding § 2–114 of this article:

1           (1) the Commissioner shall deposit the revenue from the tax imposed  
2 on health maintenance organizations and managed care organizations under § 6–102  
3 of this article in the Fund;

4           (2) during the period an allocation is made to the Rate Stabilization  
5 Account, the Commissioner may distribute up to \$350,000 annually from the revenue  
6 estimated to be received by the Fund in a fiscal year to provide for the costs incurred  
7 by the Commissioner to administer the Fund;

8           (3) after distributing the amount required under paragraph (2) of this  
9 subsection, the Commissioner shall allocate the revenue and unallocated balance of  
10 the Fund according to the following schedule:

11                   (i) in fiscal year 2005, \$3,500,000 to the Medical Assistance  
12 Program Account;

13                   (ii) in fiscal year 2006:

14                           1. \$52,000,000 to the Rate Stabilization Account to pay  
15 for health care provider rate reductions, credits, or refunds in calendar year 2005; and

16                           2. \$30,000,000 to the Medical Assistance Program  
17 Account;

18                   (iii) in fiscal year 2007:

19                           1. \$45,000,000 to the Rate Stabilization Account to pay  
20 for health care provider rate reductions, credits, or refunds in calendar year 2006; and

21                           2. \$45,000,000 to the Medical Assistance Program  
22 Account;

23                   (iv) in fiscal year 2008:

24                           1. \$35,000,000 to the Rate Stabilization Account to pay  
25 for health care provider rate reductions, credits, or refunds in calendar year 2007; and

26                           2. \$65,000,000 to the Medical Assistance Program  
27 Account;

28                   (v) in fiscal year 2009:

1                   1.     \$25,000,000 to the Rate Stabilization Account to pay  
2 for health care provider rate reductions, credits, or refunds in calendar year 2008; and

3                   2.     the remaining revenue to the Medical Assistance  
4 Program Account; and

5                   (vi) in fiscal year 2010 and annually thereafter, 100% to the  
6 Medical Assistance Program Account.

7           (c)   (1)   Any revenue remaining in the Fund after fiscal year 2005 shall  
8 remain in the Fund until otherwise directed by law.

9                   (2)   If in any fiscal year the allocations made under this section exceed  
10 the revenues estimated for that year, amounts available in the unallocated balance of  
11 the Fund may be substituted to the extent of a Fund deficit.

12                   **(3)   ANY BALANCE REMAINING IN THE FUND AT THE END OF**  
13 **FISCAL YEAR 2007 OR FISCAL YEAR 2008 AFTER THE ALLOCATIONS REQUIRED**  
14 **UNDER SUBSECTION (B) OF THIS SECTION ARE MADE FOR THAT FISCAL YEAR**  
15 **MAY BE TRANSFERRED TO THE HEALTH CARE COVERAGE FUND UNDER TITLE**  
16 **15, SUBTITLE 7 OF THE HEALTH – GENERAL ARTICLE.**

17 19–804.

18           (a)   The order of preference for distribution from the Fund shall be as follows:

19                   (1)   disbursements from the Rate Stabilization Account to subsidize  
20 health care provider rates under § 19–805 of this subtitle;

21                   (2)   disbursements from the Medical Assistance Program Account  
22 sufficient to:

23                           (i)   pay for increased rates to health care providers identified  
24 under § 19–807(b)(2) of this subtitle; and

25                           (ii)   pay managed care organization health care providers  
26 identified under § 19–807(b)(2) of this subtitle consistent with the fee-for-service  
27 health care provider rate increases;

28                   (3)   disbursements to maintain the increase in health care provider  
29 reimbursements under § 19–807(b)(2) of this subtitle;







1 (4) [5.0] **10.0** cents for each cigarette in a package of free sample  
2 cigarettes.

3 (b) The tobacco tax rate for other tobacco products is [15%] **25%** of the  
4 wholesale price of the tobacco products.

5 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
6 read as follows:

7 **Article - Health - General**

8 19-706.

9 **(JJJ) THE PROVISIONS OF § 15-418 OF THE INSURANCE ARTICLE APPLY**  
10 **TO HEALTH MAINTENANCE ORGANIZATIONS.**

11 **Article - Insurance**

12 **15-418.**

13 **(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE**  
14 **MEANINGS INDICATED.**

15 **(2) "CARRIER" MEANS:**

16 **(I) AN INSURER;**

17 **(II) A NONPROFIT HEALTH SERVICE PLAN; OR**

18 **(III) A HEALTH MAINTENANCE ORGANIZATION.**

19 **(3) "CONTINUOUS COVERAGE" MEANS COVERAGE FOR A CHILD**  
20 **UNDER ONE OR MORE OF A PARENT'S HEALTH BENEFIT PLANS WITHOUT A**  
21 **BREAK IN COVERAGE THAT EXCEEDED 63 DAYS.**

22 **(4) (I) "HEALTH BENEFIT PLAN" MEANS:**

1                   **1. A HOSPITAL OR MEDICAL POLICY, CONTRACT, OR**  
2 **CERTIFICATE, INCLUDING THOSE ISSUED UNDER MULTIPLE EMPLOYER TRUSTS**  
3 **OR ASSOCIATIONS;**

4                   **2. A HOSPITAL OR MEDICAL POLICY, CONTRACT, OR**  
5 **CERTIFICATE ISSUED BY A NONPROFIT HEALTH SERVICE PLAN; OR**

6                   **3. A HEALTH MAINTENANCE ORGANIZATION**  
7 **CONTRACT.**

8                   **(II) "HEALTH BENEFIT PLAN" DOES NOT INCLUDE:**

9                   **1. A CONTRACT COVERING ONE OR MORE, OR ANY**  
10 **COMBINATION, OF THE FOLLOWING:**

11                   **A. COVERAGE ONLY FOR LOSS CAUSED BY AN**  
12 **ACCIDENT;**

13                   **B. DISABILITY COVERAGE;**

14                   **C. CREDIT-ONLY INSURANCE; OR**

15                   **D. LONG-TERM CARE COVERAGE; OR**

16                   **2. THE FOLLOWING BENEFITS IF THEY ARE**  
17 **PROVIDED UNDER A SEPARATE CONTRACT:**

18                   **A. DENTAL COVERAGE;**

19                   **B. VISION COVERAGE;**

20                   **C. MEDICARE SUPPLEMENT INSURANCE;**

21                   **D. COVERAGE LIMITED TO BENEFITS FOR A**  
22 **SPECIFIED DISEASE OR DISEASES; AND**

23                   **E. TRAVEL ACCIDENT OR SICKNESS COVERAGE.**



1           **(B) EACH GROUP OR INDIVIDUAL HEALTH BENEFIT PLAN ISSUED OR**  
2 **DELIVERED IN THE STATE BY A CARRIER SHALL PERMIT A CHILD TO CONTINUE**  
3 **TO BE COVERED UNDER THE HEALTH BENEFIT PLAN AFTER THE CHILD MEETS**  
4 **THE LIMITING AGE SPECIFIED IN THE HEALTH BENEFIT PLAN IF THE CHILD HAS**  
5 **HAD CONTINUOUS COVERAGE FOR AT LEAST 2 YEARS IMMEDIATELY PRIOR TO**  
6 **REACHING THE LIMITING AGE.**

7           **(C) THE PREMIUM FOR THE CONTINUATION OF COVERAGE PROVIDED**  
8 **IN SUBSECTION (B) OF THIS SECTION SHALL BE THE SAME AS THE PREMIUM FOR**  
9 **A CHILD WHO HAS NOT MET THE LIMITING AGE SPECIFIED IN THE HEALTH**  
10 **BENEFIT PLAN.**

11           **(D) THE CONTINUATION OF COVERAGE PROVIDED IN SUBSECTION (B)**  
12 **OF THIS SECTION SHALL END ON THE EARLIER OF:**

13                   **(1) THE END OF THE MONTH IN WHICH THE CHILD ATTAINS AGE**  
14 **25 YEARS;**

15                   **(2) THE DATE ON WHICH THE CHILD ACCEPTS COVERAGE UNDER**  
16 **ANOTHER INDIVIDUAL HEALTH BENEFIT PLAN;**

17                   **(3) THE DATE ON WHICH THE CHILD BECOMES ELIGIBLE FOR**  
18 **COVERAGE UNDER AN EMPLOYER-SPONSORED HEALTH BENEFIT PLAN AS**  
19 **OTHER THAN A DEPENDENT CHILD;**

20                   **(4) THE DATE ON WHICH THE PARENT ELECTS TO TERMINATE**  
21 **COVERAGE FOR THE CHILD UNDER THE PARENT'S HEALTH BENEFIT PLAN; OR**

22                   **(5) THE DATE ON WHICH THE PARENT TERMINATES COVERAGE.**

23           **(E) THE CONTINUATION RIGHT PROVIDED UNDER THIS SECTION MAY**  
24 **NOT BE USED TO TERMINATE COVERAGE FOR AN INCAPACITATED CHILD AS**  
25 **PROVIDED UNDER § 15-402 OF THIS SUBTITLE.**

26 15-1201.

27           **(a) In this subtitle the following words have the meanings indicated.**

28           **(R) "WELLNESS ACTIVITY" MEANS AN EXPLICIT PROGRAM OR ACTIVITY,**  
29 **CONSISTENT WITH GUIDELINES DEVELOPED BY THE COMMISSION, SUCH AS**

1 **SMOKING CESSATION, INJURY AND ACCIDENT PREVENTION, REDUCTION OF**  
2 **ALCOHOL MISUSE, APPROPRIATE WEIGHT REDUCTION, EXERCISE, AUTOMOBILE**  
3 **AND MOTORCYCLE SAFETY, BLOOD CHOLESTEROL REDUCTION, AND NUTRITION**  
4 **EDUCATION, FOR THE PURPOSE OF IMPROVING HEALTH STATUS AND REDUCING**  
5 **HEALTH CARE COSTS.**

6 15–1205.

7 (a) (1) In establishing a community rate for a health benefit plan, a  
8 carrier shall use a rating methodology that is based on the experience of all risks  
9 covered by that health benefit plan without regard to health status or occupation or  
10 any other factor not specifically authorized under this subsection.

11 (2) A carrier may adjust the community rate only for:

12 (i) age; and

13 (ii) geography based on the following contiguous areas of the  
14 State:

15 1. the Baltimore metropolitan area;

16 2. the District of Columbia metropolitan area;

17 3. Western Maryland; and

18 4. Eastern and Southern Maryland.

19 (3) Rates for a health benefit plan may vary based on family  
20 composition as approved by the Commissioner.

21 **(4) A CARRIER MAY OFFER A DISCOUNTED RATE FOR**  
22 **PARTICIPATION IN WELLNESS ACTIVITIES AS APPROVED BY THE**  
23 **COMMISSIONER.**

24 (b) A carrier shall apply all risk adjustment factors under subsection (a) of  
25 this section consistently with respect to all health benefit plans that are issued,  
26 delivered, or renewed in the State.

27 (c) Based on the adjustments allowed under subsection (a)(2) of this section,  
28 a carrier may charge a rate that is 40% above or below the community rate.

1           (d)   (1)   A carrier shall base its rating methods and practices on commonly  
2 accepted actuarial assumptions and sound actuarial principles.

3                   (2)   A carrier that is a health maintenance organization and that  
4 includes a subrogation provision in its contract as authorized under § 19–713.1(d) of  
5 the Health – General Article shall:

6                           (i)   use in its rating methodology an adjustment that reflects the  
7 subrogation; and

8                           (ii)   identify in its rate filing with the Administration, and  
9 annually in a form approved by the Commissioner, all amounts recovered through  
10 subrogation.

11 15–1301.

12           (f)   (1)   “Creditable coverage” means coverage of an individual under:

13                           (i)   an employer sponsored plan;

14                           (ii)   a health benefit plan;

15                           (iii)   Part A or Part B of Title XVIII of the Social Security Act;

16                           (iv)   Title XIX **OR TITLE XXI** of the Social Security Act, other  
17 than coverage consisting solely of benefits under § 1928 of that Act;

18                           (v)   Chapter 55 of Title 10 of the United States Code;

19                           (vi)   a medical care program of the Indian Health Service or of a  
20 tribal organization;

21                           (vii)   a State health benefits risk pool;

22                           (viii)   a health plan offered under the Federal Employees Health  
23 Benefits Program (FEHBP), Title 5, Chapter 89 of the United States Code;

24                           (ix)   a public health plan as defined by federal regulations  
25 authorized by the Public Health Service Act, § 2701(c)(1)(i), as amended by P.L.  
26 104–191; or

1 (x) a health benefit plan under § 5(e) of the Peace Corps Act, 22  
2 U.S.C. 2504(e).

3 SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
4 read as follows:

5 **Article - Tax - General**

6 **10-106.2.**

7 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE  
8 MEANINGS INDICATED.

9 (2) "APPLICABLE POVERTY INCOME LEVEL" MEANS THE AMOUNT  
10 SPECIFIED IN THE POVERTY INCOME STANDARD THAT CORRESPONDS TO THE  
11 NUMBER OF EXEMPTIONS THAT THE INDIVIDUAL IS ALLOWED AND CLAIMS  
12 UNDER § 10-211(1) OF THIS TITLE.

13 (3) "HEALTH CARE COVERAGE" MEANS CREDITABLE COVERAGE  
14 AS DEFINED IN § 15-1301 OF THE INSURANCE ARTICLE.

15 (4) "POVERTY INCOME STANDARD" MEANS THE MOST RECENT  
16 POVERTY INCOME GUIDELINES PUBLISHED BY THE UNITED STATES  
17 DEPARTMENT OF HEALTH AND HUMAN SERVICES, AVAILABLE AS OF JULY 1 OF  
18 THE TAXABLE YEAR.

19 (B) SUBJECT TO SUBSECTIONS (C) AND (D) OF THIS SECTION, IN  
20 ADDITION TO THE STATE INCOME TAX UNDER § 10-105(A) OF THIS SUBTITLE:

21 (1) IF THE FEDERAL ADJUSTED GROSS INCOME OF AN  
22 INDIVIDUAL EXCEEDS 400% BUT DOES NOT EXCEED 500% OF THE APPLICABLE  
23 POVERTY INCOME LEVEL, THE INDIVIDUAL IS SUBJECT TO A SURCHARGE OF  
24 \$500, UNLESS THE INDIVIDUAL AND EACH DEPENDENT CHILD OF THE  
25 INDIVIDUAL HAD HEALTH CARE COVERAGE:

26 (I) FOR AT LEAST 6 MONTHS OF THE TAXABLE YEAR; AND

27 (II) ON DECEMBER 31 OF THE TAXABLE YEAR;

1           (2) (I) FOR A MARRIED COUPLE FILING A JOINT RETURN,  
2 EXCEPT AS PROVIDED IN ITEM (II) OF THIS ITEM, IF THE JOINT FEDERAL  
3 ADJUSTED GROSS INCOME OF THE MARRIED COUPLE EXCEEDS 400% BUT DOES  
4 NOT EXCEED 500% OF THE APPLICABLE POVERTY INCOME LEVEL, THE  
5 MARRIED COUPLE IS SUBJECT TO A SURCHARGE OF \$1,000, UNLESS EACH  
6 SPOUSE AND EACH DEPENDENT CHILD OF THE MARRIED COUPLE HAD HEALTH  
7 CARE COVERAGE:

- 8                           1. FOR AT LEAST 6 MONTHS OF THE TAXABLE YEAR;  
9 AND  
10                           2. ON DECEMBER 31 OF THE TAXABLE YEAR; OR

11           (II) THE SURCHARGE FOR A MARRIED COUPLE UNDER THIS  
12 PARAGRAPH IS \$500, IF EACH DEPENDENT CHILD OF THE MARRIED COUPLE  
13 AND EITHER THE HUSBAND OR WIFE HAD HEALTH CARE COVERAGE:

- 14                           1. FOR AT LEAST 6 MONTHS OF THE TAXABLE YEAR;  
15 AND  
16                           2. ON DECEMBER 31 OF THE TAXABLE YEAR;

17           (3) IF THE FEDERAL ADJUSTED GROSS INCOME OF AN  
18 INDIVIDUAL EXCEEDS 500% OF THE APPLICABLE POVERTY INCOME LEVEL, THE  
19 INDIVIDUAL IS SUBJECT TO A SURCHARGE OF \$1,000, UNLESS THE INDIVIDUAL  
20 AND EACH DEPENDENT CHILD OF THE INDIVIDUAL HAD HEALTH CARE  
21 COVERAGE:

22                           (I) FOR AT LEAST 6 MONTHS OF THE TAXABLE YEAR; AND

23                           (II) ON DECEMBER 31 OF THE TAXABLE YEAR; AND

24           (4) (I) FOR A MARRIED COUPLE FILING A JOINT RETURN,  
25 EXCEPT AS PROVIDED IN ITEM (II) OF THIS ITEM, IF THE JOINT FEDERAL  
26 ADJUSTED GROSS INCOME OF THE MARRIED COUPLE EXCEEDS 500% OF THE  
27 APPLICABLE POVERTY INCOME LEVEL, THE MARRIED COUPLE IS SUBJECT TO A  
28 SURCHARGE OF \$2,000, UNLESS EACH SPOUSE AND EACH DEPENDENT CHILD OF  
29 THE MARRIED COUPLE HAD HEALTH CARE COVERAGE:

1                                   1.     FOR AT LEAST 6 MONTHS OF THE TAXABLE YEAR;  
2 AND

3                                   2.     ON DECEMBER 31 OF THE TAXABLE YEAR; OR

4                                   (II)   THE SURCHARGE FOR A MARRIED COUPLE UNDER THIS  
5 PARAGRAPH IS \$1,000, IF EACH DEPENDENT CHILD OF THE MARRIED COUPLE  
6 AND EITHER THE HUSBAND OR WIFE HAD HEALTH CARE COVERAGE:

7                                   1.     FOR AT LEAST 6 MONTHS OF THE TAXABLE YEAR;  
8 AND

9                                   2.     ON DECEMBER 31 OF THE TAXABLE YEAR.

10                   (C)   THIS SECTION DOES NOT APPLY TO A NONRESIDENT, INCLUDING A  
11 NONRESIDENT SPOUSE OR A NONRESIDENT DEPENDENT.

12                   (D)   THE COMPTROLLER SHALL PROVIDE FOR EXCEPTIONS TO  
13 SUBSECTION (B) OF THIS SECTION FOR INDIVIDUALS:

14                                   (1)   JUST ENTERING THE WORKFORCE;

15                                   (2)   RECENTLY MOVING INTO THE STATE; OR

16                                   (3)   WHO ARE UNEMPLOYED FOR 4 OR MORE CONSECUTIVE  
17 WEEKS.

18                   (E)   THE TAXPAYER SHALL INDICATE ON THE TAX RETURN, IN THE FORM  
19 REQUIRED BY THE COMPTROLLER, THE PRESENCE OF HEALTH CARE COVERAGE  
20 THAT MEETS THE REQUIREMENTS OF SUBSECTION (B) OF THIS SECTION FOR  
21 THE INDIVIDUAL, THE SPOUSE IN THE CASE OF A MARRIED COUPLE, AND EACH  
22 DEPENDENT CHILD.

23                   (F)   NOTWITHSTANDING § 2-609 OF THIS ARTICLE, AFTER DEDUCTING A  
24 REASONABLE AMOUNT FOR ADMINISTRATIVE COSTS, THE COMPTROLLER  
25 SHALL DISTRIBUTE THE REVENUES FROM THE SURCHARGE TO THE HEALTH  
26 CARE COVERAGE FUND ESTABLISHED IN TITLE 15, SUBTITLE 7 OF THE  
27 HEALTH - GENERAL ARTICLE.

28 10-910.

1 (b) (1) Except as provided in [paragraph (2)] **PARAGRAPHS (2) AND (3)**  
2 of this subsection, an employer shall base withholding for an employee:

3 (i) on the number of exemptions stated in the exemption  
4 certificate that the employee files; or

5 (ii) if the employee fails to file an exemption certificate or files  
6 an invalid certificate under subsection (c) of this section, on 1 exemption.

7 (2) If the Comptroller notifies an employer that an employee has an  
8 unpaid tax liability, that the employee failed to file a required Maryland income tax  
9 return, or that an employee is subject to a tax refund interception request, the  
10 employer shall base withholding for the employee:

11 (i) on a number of exemptions not exceeding the actual number  
12 of exemptions allowed on the employee's prior year's income tax return, as specified by  
13 the Comptroller; or

14 (ii) if the employee failed to file a required Maryland income tax  
15 return, on 1 exemption.

16 **(3) (I) 1. IN THIS PARAGRAPH THE FOLLOWING WORDS**  
17 **HAVE THE MEANINGS INDICATED.**

18 **2. "APPLICABLE POVERTY INCOME LEVEL" MEANS**  
19 **THE AMOUNT SPECIFIED IN THE POVERTY INCOME STANDARD THAT**  
20 **CORRESPONDS TO THE NUMBER OF EXEMPTIONS THAT THE INDIVIDUAL IS**  
21 **ALLOWED AND CLAIMS UNDER § 10-211(1) OF THIS TITLE.**

22 **3. "HEALTH CARE COVERAGE" MEANS CREDITABLE**  
23 **COVERAGE AS DEFINED IN § 15-1301 OF THE INSURANCE ARTICLE.**

24 **4. "POVERTY INCOME STANDARD" MEANS THE MOST**  
25 **RECENT POVERTY INCOME GUIDELINES PUBLISHED BY THE UNITED STATES**  
26 **DEPARTMENT OF HEALTH AND HUMAN SERVICES, AVAILABLE AS OF JULY 1 OF**  
27 **THE TAXABLE YEAR.**

28 **(II) AN EMPLOYER SHALL BASE WITHHOLDING FOR AN**  
29 **EMPLOYEE ON ZERO EXEMPTIONS IF THE COMPENSATION OF THE EMPLOYEE IS**  
30 **EXPECTED TO EXCEED 400% OF THE APPLICABLE POVERTY INCOME LEVEL IN**

1 **ANY TAX YEAR AND THE EMPLOYEE DOES NOT HAVE HEALTH CARE COVERAGE**  
2 **FROM THE EMPLOYER OR HAS NOT PRESENTED THE EMPLOYER WITH A**  
3 **CERTIFICATION OF OTHER HEALTH CARE COVERAGE.**

4 SECTION 4. AND BE IT FURTHER ENACTED, That:

5 **Chapter 280 of the Acts of 2005**

6 SECTION 7. AND BE IT FURTHER ENACTED, That[, if the Centers for  
7 Medicare and Medicaid Services approves the primary care waiver applied for under  
8 Chapter 448 of the Acts of 2003,]:

9 (A) [the] **THE** Department of Health and Mental Hygiene shall submit an  
10 amendment to the **MEDICAID** waiver to include office-based and outpatient specialty  
11 medical care and inpatient medical care for individuals with family income below  
12 116% of the federal poverty guidelines who meet the eligibility requirements for the  
13 Maryland Primary Care Program.

14 (B) **IF NECESSARY TO GAIN APPROVAL OF THE AMENDMENT OR FOR**  
15 **BUDGETARY REASONS, THE DEPARTMENT MAY PHASE IN IMPLEMENTATION OF**  
16 **THE ADDITIONAL COVERAGE UNDER SUBSECTION (A) OF THIS SECTION.**

17 (C) **ON OR BEFORE SEPTEMBER 1, 2007, AND QUARTERLY**  
18 **THEREAFTER, THE DEPARTMENT SHALL REPORT, IN ACCORDANCE WITH §**  
19 **2-1246 OF THE STATE GOVERNMENT ARTICLE, TO THE SENATE FINANCE**  
20 **COMMITTEE AND THE HOUSE HEALTH AND GOVERNMENT OPERATIONS**  
21 **COMMITTEE ON THE DEPARTMENT'S PROGRESS IN IMPLEMENTING THE**  
22 **REQUIREMENTS OF THIS SECTION.**

23 SECTION 5. AND BE IT FURTHER ENACTED, That:

24 (a) The Secretary of Health and Mental Hygiene shall develop a statewide  
25 plan to improve the quality and cost-effectiveness of care for individuals with, or at  
26 risk for, chronic health care conditions.

27 (b) The plan shall include:

28 (1) patient self-management, in collaboration with a health care team;

29 (2) incentives for provision of care consistent with evidence-based  
30 standards;



1           (3) ways to engage communities to fight physical inactivity and  
2 obesity;

3           (4) identification of information technology that supports care  
4 management;

5           (5) linkages between financing mechanisms and performance  
6 measures; and

7           (6) a chronic care management program that incorporates all elements  
8 of the plan, for enrollees in the Maryland Medical Assistance Program.

9           (c) The Secretary shall involve representatives of stakeholder groups,  
10 including health care providers, payors, consumers, and other State and local  
11 agencies, in developing the plan.

12           (d) On or before January 1, 2008, the Secretary shall report on the plan to  
13 the Governor and, in accordance with § 2-1246 of the State Government Article, the  
14 General Assembly.

15           SECTION 6. AND BE IT FURTHER ENACTED, That:

16           (a) The Department of Budget and Management and the Department of  
17 Health and Mental Hygiene shall jointly develop a wellness incentive pilot program for  
18 State employees.

19           (b) The purpose of the program is to provide incentives for State employees,  
20 their dependents, and other enrollees to maintain their health and prevent chronic  
21 illness.

22           (c) The program shall:

23           (1) provide incentives for activities such as smoking cessation, injury  
24 and accident prevention, reduction of drug and alcohol misuse, appropriate weight  
25 reduction, exercise, automobile and motorcycle safety, blood cholesterol reduction, and  
26 nutrition education; and

27           (2) include performance measures, including savings in health care  
28 costs.

1 (d) On or before January 1, 2008, the Departments shall report to the  
2 Governor and, in accordance with § 2-1246 of the State Government Article, the  
3 General Assembly on the components of and implementation plans for the program.

4 (e) The Departments shall implement the program beginning July 1, 2008.

5 SECTION 7. AND BE IT FURTHER ENACTED, That:

6 (a) The Maryland Health Care Commission and the Health Services Cost  
7 Review Commission shall collaborate in seeking a proposal or proposals leading to the  
8 establishment of:

9 (1) a regional health information exchange, to include:

10 (i) the design and development of the technical architecture;

11 (ii) the implementation of a pilot project or projects; and

12 (iii) the identification of a sustainable and expandable business  
13 model; and

14 (2) a unique patient identifier for electronic medical records in the  
15 State.

16 (b) To provide funding for the support of the proposal or proposals, the  
17 Health Services Cost Review Commission may increase hospital rates.

18 SECTION 8. AND BE IT FURTHER ENACTED, That the changes to §  
19 15-103(a)(2)(x) and (3) of the Health – General Article, as enacted by Section 1 of this  
20 Act, shall take effect on the date that the federal Centers for Medicare and Medicaid  
21 Services approves a waiver amendment submitted in accordance with Section 4 of this  
22 Act. If the waiver amendment is denied, the changes to § 15-103(a)(2)(x) and (3) of the  
23 Health – General Article, as enacted by Section 1 of this Act, shall be null and void  
24 without the necessity of further action by the General Assembly. The Department of  
25 Health and Mental Hygiene, within 5 days after receiving notice of approval or denial  
26 of a waiver, shall forward a copy of the notice to the Department of Legislative  
27 Services, 90 State Circle, Annapolis, Maryland 21401.

28 SECTION 9. AND BE IT FURTHER ENACTED, That:

29 (a) The Maryland Health Care Commission shall conduct a study of the  
30 feasibility and desirability of establishing a health insurance exchange to promote  
31 expansion of affordable health care coverage in the State.

1 (b) The study shall include:

2 (1) the organization and governance of an exchange;

3 (2) the target population for an exchange;

4 (3) the functions an exchange would carry out;

5 (4) types of products to be offered through an exchange;

6 (5) the merits of creating a separate insurance product to be  
7 administered and offered by an exchange, versus offering existing insurance products;

8 (6) incentives for employers and individuals to participate in an  
9 exchange;

10 (7) the impact of an exchange on the State's existing health insurance  
11 markets;

12 (8) the need to restructure the State's existing health insurance  
13 markets, including combining the individual and small group markets, to achieve the  
14 goal of making health insurance more affordable;

15 (9) the relationship between the exchange and insurance producers;

16 (10) mechanisms for State oversight;

17 (11) funding;

18 (12) whether participation in the exchange should be mandatory or  
19 voluntary; and

20 (13) any lessons learned from experience in Massachusetts with an  
21 exchange.

22 (c) On or before January 1, 2008, the Commission shall report on the results  
23 of its study, in accordance with § 2-1246 of the State Government Article, to the  
24 Senate Finance Committee and the House Health and Government Operations  
25 Committee.

26 SECTION 10. AND BE IT FURTHER ENACTED, That Section 2 of this Act  
27 shall apply to all policies and contracts issued, delivered, or renewed in the State on or

1 after October 1, 2007. Any policy or contract in effect before October 1, 2007, shall  
2 comply with the provisions of this Act no later than October 1, 2008.

3 SECTION 11. AND BE IT FURTHER ENACTED, That the Comptroller shall  
4 widely publicize the requirements of Section 3 of this Act to provide an adequate  
5 opportunity for individuals to obtain health care coverage and avoid a surcharge.

6 SECTION 12. AND BE IT FURTHER ENACTED, That Section 3 of this Act  
7 shall take effect January 1, 2008, and shall be applicable to all taxable years  
8 beginning after December 31, 2007.

9 SECTION 13. AND BE IT FURTHER ENACTED, That, except as provided in  
10 Sections 8, 10, and 12 of this Act, this Act shall take effect July 1, 2007.