

# SENATE BILL 596

C3  
SB 281/06 – FIN

7lr2094  
CF 7lr2101

By: **Senator Klausmeier**

Introduced and read first time: February 2, 2007

Assigned to: Finance

## A BILL ENTITLED

1   AN ACT concerning

2   **Discount Medical Plan Organizations and Discount Drug Plan Organizations**  
3   **– Registration and Regulation**

4   FOR the purpose of providing for the regulation by the Maryland Insurance  
5   Commissioner of certain discount medical plan organizations and discount drug  
6   plan organizations; requiring the registration of certain entities as discount  
7   medical plan organizations or discount drug plan organizations; providing for  
8   the application and renewal process for registration; authorizing the  
9   Commissioner to deny a registration or refuse to renew, suspend, or revoke a  
10   registration under certain circumstances; prohibiting certain actions by a  
11   discount medical plan organization and discount drug plan organization;  
12   requiring certain disclosures to be made by discount medical plan organizations  
13   and discount drug plan organizations; requiring certain reimbursement if  
14   membership in a discount medical plan or discount drug plan is canceled under  
15   certain circumstances; requiring the Commissioner, in consultation with the  
16   Office of the Attorney General, to adopt regulations that establish standards for  
17   determining a certain fee; requiring that certain information appear on certain  
18   discount cards; requiring a certain statement to be included on or attached to  
19   certain discount cards; authorizing the examination of discount medical plan  
20   organizations and discount drug plan organizations under certain  
21   circumstances; authorizing the Commissioner to take certain actions to enforce  
22   certain provisions of law; providing for certain penalties; providing for the  
23   payment of the examinations; requiring an insurer, nonprofit health service  
24   plan, health maintenance organization, or dental plan organization to meet  
25   certain requirements; requiring the Commissioner to adopt certain regulations;  
26   requiring the Commissioner to review the continued need for a certain

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

[Brackets] indicate matter deleted from existing law.



1 requirement and report on the findings of the review to certain committees of  
2 the General Assembly on or before a certain date; defining certain terms;  
3 providing for the application of this Act; and generally relating to discount  
4 medical plan organizations and discount drug plan organizations.

5 BY adding to  
6 Article – Health – General  
7 Section 19–706(jjj)  
8 Annotated Code of Maryland  
9 (2005 Replacement Volume and 2006 Supplement)

10 BY repealing and reenacting, with amendments,  
11 Article – Insurance  
12 Section 2–208  
13 Annotated Code of Maryland  
14 (2003 Replacement Volume and 2006 Supplement)

15 BY adding to  
16 Article – Insurance  
17 Section 14–601 through 14–612 to be under the new subtitle “Subtitle 6.  
18 Discount Medical Plan Organizations and Discount Drug Plan  
19 Organizations”  
20 Annotated Code of Maryland  
21 (2006 Replacement Volume and 2006 Supplement)

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

24 **Article – Health – General**

25 19–706.

26 **(JJJ) THE PROVISIONS OF TITLE 14, SUBTITLE 6 OF THE INSURANCE**  
27 **ARTICLE APPLY TO HEALTH MAINTENANCE ORGANIZATIONS.**

28 **Article – Insurance**

29 2–208.

30 The expense incurred in an examination made under § 2–205 of this subtitle, §  
31 2–206 of this subtitle for surplus lines brokers and insurance holding corporations, §  
32 23–207 of this article for premium finance companies, § 15–10B–19 of this article for

1 private review agents, [or] § 15–10B–20 of this article, **OR § 14–610 OF THIS**  
2 **ARTICLE FOR DISCOUNT MEDICAL PLAN ORGANIZATIONS AND DISCOUNT DRUG**  
3 **PLAN ORGANIZATIONS** shall be paid by the person examined in the following  
4 manner:

5 (1) the person examined shall pay to the Commissioner the travel  
6 expenses, a living expense allowance, and a per diem as compensation for examiners,  
7 actuaries, and typists:

8 (i) to the extent incurred for the examination; and  
9 (ii) at reasonable rates set by the Commissioner;

10 (2) the Commissioner may present a detailed account of expenses  
11 incurred to the person examined periodically during the examination or at the end of  
12 the examination, as the Commissioner considers proper; and

13 (3) a person may not pay and an examiner may not accept any  
14 compensation for an examination in addition to the compensation under paragraph (1)  
15 of this section.

16 **SUBTITLE 6. DISCOUNT MEDICAL PLAN ORGANIZATIONS AND DISCOUNT**  
17 **DRUG PLAN ORGANIZATIONS.**

18 **14–601.**

19 (A) **IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS**  
20 **INDICATED.**

21 (B) (1) **“DISCOUNT DRUG PLAN” MEANS A BUSINESS ARRANGEMENT**  
22 **OR CONTRACT IN WHICH A PERSON, IN EXCHANGE FOR FEES, DUES, CHARGES,**  
23 **OR OTHER FINANCIAL CONSIDERATION PAID BY OR ON BEHALF OF A PLAN**  
24 **MEMBER, PROVIDES THE RIGHT TO RECEIVE DISCOUNTS ON SPECIFIED**  
25 **PHARMACEUTICAL SUPPLIES, PRESCRIPTION DRUGS, OR MEDICAL EQUIPMENT**  
26 **AND SUPPLIES FROM SPECIFIED PROVIDERS.**

27 (2) **“DISCOUNT DRUG PLAN” DOES NOT INCLUDE A BUSINESS**  
28 **ARRANGEMENT OR CONTRACT IN WHICH THE FEES, DUES, CHARGES, AND**  
29 **OTHER FINANCIAL CONSIDERATION PAID BY OR ON BEHALF OF A PLAN MEMBER**  
30 **CONSIST ONLY OF:**

(I) A PAYMENT MADE DIRECTLY TO A PROVIDER AS A DISPENSING OR TRANSACTIONAL FEE IN CONNECTION WITH THE PURCHASE OF PHARMACEUTICAL SUPPLIES, PRESCRIPTION DRUGS, OR MEDICAL EQUIPMENT AND SUPPLIES THAT ARE SUBJECT TO A DISCOUNT; OR

(II) AN ADMINISTRATIVE OR PROCESSING FEE PAID BY ANYONE OTHER THAN A PLAN MEMBER TO A PROVIDER IN CONNECTION WITH THAT PROVIDER'S PROVISION OF DISCOUNTS TO PLAN MEMBERS.

**(C) "DISCOUNT DRUG PLAN ORGANIZATION" MEANS AN ENTITY THAT:**

(1) CONTRACTS DIRECTLY OR INDIRECTLY WITH PROVIDERS OR PROVIDER NETWORKS TO PROVIDE PHARMACEUTICAL SUPPLIES, PRESCRIPTION DRUGS, OR MEDICAL EQUIPMENT AND SUPPLIES AT A DISCOUNT TO PLAN MEMBERS; AND

**(2) DETERMINES THE CHARGE TO PLAN MEMBERS.**

(D) "DISCOUNT MEDICAL PLAN" MEANS A BUSINESS ARRANGEMENT OR CONTRACT IN WHICH A PERSON, IN EXCHANGE FOR FEES, DUES, CHARGES, OR OTHER FINANCIAL CONSIDERATION PAID BY OR ON BEHALF OF A PLAN MEMBER, PROVIDES THE RIGHT TO RECEIVE DISCOUNTS ON SPECIFIED MEDICAL SERVICES FROM SPECIFIED PROVIDERS.

(E) "DISCOUNT MEDICAL PLAN ORGANIZATION" MEANS AN ENTITY THAT:

**(1) CONTRACTS DIRECTLY OR INDIRECTLY WITH PROVIDERS OR PROVIDER NETWORKS TO PROVIDE MEDICAL SERVICES AT A DISCOUNT TO PLAN MEMBERS; AND**

**(2) DETERMINES THE CHARGE TO PLAN MEMBERS.**

(F) "HOSPITAL SERVICES" HAS THE MEANING STATED IN § 19-201 OF THE HEALTH - GENERAL ARTICLE.

(G) "MEDICAL SERVICES" MEANS ANY CARE, SERVICE, OR TREATMENT OF ILLNESS OR DYSFUNCTION OF, OR INJURY TO, THE HUMAN BODY, INCLUDING PHYSICIAN CARE, OUTPATIENT SERVICES, AMBULANCE SERVICES, DENTAL

1 CARE SERVICES, VISION CARE SERVICES, MENTAL HEALTH SERVICES,  
2 SUBSTANCE ABUSE SERVICES, CHIROPRACTIC SERVICES, PODIATRIC CARE  
3 SERVICES, AND LABORATORY SERVICES.

4 (H) "MEDICARE PRESCRIPTION DRUG PLAN" MEANS A PLAN THAT  
5 PROVIDES A MEDICARE PART D PRESCRIPTION DRUG BENEFIT IN  
6 ACCORDANCE WITH THE REQUIREMENTS OF THE FEDERAL MEDICARE  
7 MODERNIZATION ACT.

8 (I) "PLAN MEMBER" MEANS ANY INDIVIDUAL WHO PAYS FEES, DUES,  
9 CHARGES, OR OTHER FINANCIAL CONSIDERATION FOR THE RIGHT TO RECEIVE  
10 THE BENEFITS OF A DISCOUNT MEDICAL PLAN OR A DISCOUNT DRUG PLAN.

11 (J) "PROVIDER" MEANS:

12 (1) ANY PERSON OR INSTITUTION WHICH IS CONTRACTED,  
13 DIRECTLY OR INDIRECTLY, WITH A DISCOUNT MEDICAL PLAN ORGANIZATION TO  
14 PROVIDE MEDICAL SERVICES TO PLAN MEMBERS; OR

15 (2) ANY PERSON OR INSTITUTION WHICH IS CONTRACTED,  
16 DIRECTLY OR INDIRECTLY, WITH A DISCOUNT DRUG PLAN ORGANIZATION TO  
17 PROVIDE PHARMACEUTICAL SUPPLIES, PRESCRIPTION DRUGS, OR MEDICAL  
18 EQUIPMENT AND SUPPLIES TO PLAN MEMBERS.

19 (K) "STATE PRESCRIPTION DRUG PLAN" MEANS ANY DISCOUNT PLAN  
20 OPERATED BY A STATE AGENCY.

21 **14-602.**

22 (A) EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, THIS  
23 SUBTITLE DOES NOT APPLY TO AN INSURER, NONPROFIT HEALTH SERVICE  
24 PLAN, HEALTH MAINTENANCE ORGANIZATION, OR DENTAL PLAN ORGANIZATION  
25 THAT HOLDS A CERTIFICATE OF AUTHORITY IN THIS STATE.

26 (B) AN INSURER, NONPROFIT HEALTH SERVICE PLAN, HEALTH  
27 MAINTENANCE ORGANIZATION, OR DENTAL PLAN ORGANIZATION SHALL:

28 (1) COMPLY WITH §§ 14-606 THROUGH 14-611 OF THIS  
29 SUBTITLE;

4 (3) (I) FILE QUARTERLY WITH THE COMMISSIONER A  
5 CURRENT LIST OF THE PERSONS AUTHORIZED TO SELL, MARKET, OR SOLICIT IN  
6 THE STATE A DISCOUNT MEDICAL PLAN OR DISCOUNT DRUG PLAN  
7 ESTABLISHED BY THE INSURER, NONPROFIT HEALTH SERVICE PLAN, HEALTH  
8 MAINTENANCE ORGANIZATION, OR DENTAL PLAN ORGANIZATION; AND

9 (II) PROVIDE THE COMMISSIONER WITH AN ADDITIONAL  
10 LIST ON REQUEST.

11 (C) AN INSURER, NONPROFIT HEALTH SERVICE PLAN, HEALTH  
12 MAINTENANCE ORGANIZATION, OR DENTAL PLAN ORGANIZATION MAY FILE THE  
13 LIST REQUIRED UNDER SUBSECTION (B)(3) OF THIS SECTION ELECTRONICALLY,  
14 IN A FORMAT PRESCRIBED BY THE COMMISSIONER.

15 (D) THIS SUBTITLE DOES NOT APPLY TO MEDICARE PRESCRIPTION  
16 DRUG PLANS OR TO A STATE PRESCRIPTION DRUG PLAN.

17 14-603.

18                   (A) (1) AN ENTITY SHALL REGISTER WITH THE COMMISSIONER AS A  
19 DISCOUNT MEDICAL PLAN ORGANIZATION BEFORE A DISCOUNT MEDICAL PLAN  
20 ESTABLISHED BY THAT ENTITY IS SOLD, MARKETED, OR SOLICITED IN THE  
21 STATE.

26                   (B) (1) AN ENTITY SHALL REGISTER WITH THE COMMISSIONER AS A  
27 DISCOUNT DRUG PLAN ORGANIZATION BEFORE A DISCOUNT DRUG PLAN  
28 ESTABLISHED BY THAT ENTITY IS SOLD, MARKETED, OR SOLICITED IN THE  
29 STATE.

5 (C) AN APPLICANT FOR REGISTRATION SHALL:

6 (1) FILE WITH THE COMMISSIONER AN APPLICATION ON THE  
7 FORM THAT THE COMMISSIONER REQUIRES; AND

8 (2) PAY TO THE COMMISSIONER AN APPLICATION FEE OF \$250.

13 (E) AN APPLICANT SHALL FILE WITH ITS APPLICATION A LIST OF THE  
14 PERSONS AUTHORIZED TO SELL, MARKET, OR SOLICIT A DISCOUNT MEDICAL  
15 PLAN OR DISCOUNT DRUG PLAN ESTABLISHED BY THE APPLICANT.

16 14-604.

17 (A) A REGISTRATION EXPIRES ON THE SECOND JUNE 30 FOLLOWING  
18 THE REGISTRATION UNLESS IT IS RENEWED AS PROVIDED IN THIS SECTION.

19 (B) BEFORE A REGISTRATION EXPIRES, THE REGISTRANT MAY RENEW  
20 IT FOR AN ADDITIONAL 2-YEAR TERM, IF THE REGISTRANT:

21 (1) OTHERWISE IS ENTITLED TO BE REGISTERED;

22 (2) FILES WITH THE COMMISSIONER A RENEWAL APPLICATION  
23 ON THE FORM THAT THE COMMISSIONER REQUIRES; AND

24 (3) PAYS TO THE COMMISSIONER A RENEWAL FEE OF \$150.

25 (C) AN APPLICATION FOR RENEWAL OF A REGISTRATION SHALL BE  
26 CONSIDERED MADE IN A TIMELY MANNER IF IT IS POSTMARKED ON OR BEFORE  
27 JUNE 30 OF THE YEAR OF RENEWAL.

4 (E) (1) A REGISTRANT SHALL FILE QUARTERLY WITH THE  
5 COMMISSIONER A CURRENT LIST OF THE PERSONS AUTHORIZED TO SELL,  
6 MARKET, OR SOLICIT IN THE STATE A DISCOUNT MEDICAL PLAN OR DISCOUNT  
7 DRUG PLAN ESTABLISHED BY THE REGISTRANT.

13 14-605.

14 (A) SUBJECT TO THE HEARING PROVISIONS OF TITLE 2 OF THIS  
15 ARTICLE, THE COMMISSIONER MAY DENY A REGISTRATION TO AN APPLICANT  
16 OR REFUSE TO RENEW, SUSPEND, OR REVOKE THE REGISTRATION OF A  
17 REGISTRANT IF THE APPLICANT OR REGISTRANT, OR AN OFFICER, DIRECTOR,  
18 OR EMPLOYEE OF THE APPLICANT OR REGISTRANT:

24 (3) HAS BEEN CONVICTED OF A FELONY OR OF A MISDEMEANOR  
25 INVOLVING MORAL TURPITUDE:

26 (4) IN CONNECTION WITH THE ADMINISTRATION OF A DISCOUNT  
27 MEDICAL PLAN OR DISCOUNT DRUG PLAN, COMMITS FRAUD OR ENGAGES IN  
28 ILLEGAL OR DISHONEST ACTIVITIES;

3 (6) PROVIDES A FALSE, FALSELY DISPARAGING, OR MISLEADING  
4 ORAL OR WRITTEN STATEMENT, VISUAL DESCRIPTION, OR OTHER  
5 REPRESENTATION OF ANY KIND THAT HAS THE CAPACITY, TENDENCY, OR  
6 EFFECT OF DECEIVING OR MISLEADING CONSUMERS;

10 (8) HAS VIOLATED § 13-301 OF THE COMMERCIAL LAW ARTICLE;  
11 OR

12 (9) FAILS TO MAINTAIN ON FILE WITH THE COMMISSIONER A  
13 CURRENT LIST OF THE PERSONS AUTHORIZED TO SELL, MARKET, OR SOLICIT A  
14 DISCOUNT MEDICAL PLAN OR DISCOUNT DRUG PLAN ESTABLISHED BY THE  
15 APPLICANT OR THE REGISTRANT.

16 (B) THIS SECTION DOES NOT LIMIT ANY REGULATORY POWER OF THE  
17 COMMISSIONER UNDER TITLE 2 OF THIS ARTICLE.

18 14-606.

21 (1) USE IN THEIR ADVERTISEMENTS, MARKETING MATERIAL,  
22 BROCHURES, AND DISCOUNT CARDS THE TERM "INSURANCE" EXCEPT:

23 (I) IN THE NAME OF AN INSURER, NONPROFIT HEALTH  
24 SERVICE PLAN, HEALTH MAINTENANCE ORGANIZATION, OR DENTAL PLAN  
25 ORGANIZATION WHOSE CORPORATE NAME INCLUDES THE WORD "INSURANCE":

26 (II) WHEN COMPARING THE DISCOUNT MEDICAL PLAN OR  
27 DISCOUNT DRUG PLAN TO INSURANCE OR OTHERWISE DISTINGUISHING THE  
28 DISCOUNT MEDICAL PLAN OR DISCOUNT DRUG PLAN FROM INSURANCE; OR

**(III) AS OTHERWISE PROVIDED IN THIS SUBTITLE.**

(2) USE IN THEIR ADVERTISEMENTS, MARKETING MATERIAL, BROCHURES, AND DISCOUNT CARDS THE TERMS "HEALTH PLAN", "COVERAGE", "COPAY", "COPAYMENTS", "PREEXISTING CONDITIONS", "GUARANTEED ISSUE", "PREMIUM", "PPO", "PREFERRED PROVIDER ORGANIZATION", OR OTHER TERMS IN A CONTEXT THAT COULD REASONABLY MISLEAD A PERSON INTO BELIEVING THE DISCOUNT MEDICAL PLAN OR DISCOUNT DRUG PLAN WAS HEALTH INSURANCE;

**(3) HAVE RESTRICTIONS ON ACCESS TO DISCOUNT MEDICAL PLAN OR DISCOUNT DRUG PLAN PROVIDERS, INCLUDING WAITING PERIODS AND NOTIFICATION PERIODS;**

(4) PAY PROVIDERS ANY FEES FOR MEDICAL SERVICES, PHARMACEUTICAL SUPPLIES, PRESCRIPTION DRUGS, OR MEDICAL EQUIPMENT AND SUPPLIES, EXCEPT THAT A DISCOUNT MEDICAL PLAN ORGANIZATION OR A DISCOUNT DRUG PLAN ORGANIZATION THAT ALSO HAS AN ACTIVE REGISTRATION UNDER TITLE 8, SUBTITLE 3 OF THIS ARTICLE MAY CONTINUE TO PAY FEES TO PROVIDERS IN ITS CAPACITY AS A THIRD PARTY ADMINISTRATOR;

(5) REFUSE TO MODIFY THE METHOD OF PAYMENT FOR MEMBERSHIP IN A DISCOUNT MEDICAL PLAN OR A DISCOUNT DRUG PLAN ON REQUEST, UNLESS A SPECIFIC METHOD OF PAYMENT IS REQUIRED AS A TERM OF THE DISCOUNT MEDICAL PLAN OR THE DISCOUNT DRUG PLAN AND WAS AGREED TO IN WRITING IN ADVANCE:

(6) IF MEMBERSHIP IS BILLED ON A MONTHLY BASIS, REFUSE TO PERMIT MEMBERSHIP TO TERMINATE WITHOUT FINANCIAL PENALTY ON NO MORE THAN 30 CALENDAR DAYS' WRITTEN NOTICE; OR

(7) (i) CONTINUE ELECTRONIC FUND TRANSFER AS A METHOD OF PAYMENT MORE THAN 30 CALENDAR DAYS AFTER A WRITTEN REQUEST FOR TERMINATION OF ELECTRONIC FUND TRANSFER HAS BEEN MADE; OR

(II) REQUIRE THE MEMBER TO NOTIFY MORE THAN ONE ENTITY THAT IS EITHER THE DISCOUNT MEDICAL PLAN ORGANIZATION OR THE DISCOUNT DRUG PLAN ORGANIZATION OR AN ENTITY IDENTIFIED BY THE

1 DISCOUNT MEDICAL PLAN ORGANIZATION OR THE DISCOUNT DRUG PLAN  
2 ORGANIZATION THAT ELECTRONIC FUND TRANSFER SHOULD BE TERMINATED.

3 **14-607.**

4 (A) THE FOLLOWING DISCLOSURES SHALL BE MADE IN WRITING  
5 PRINTED IN 12 POINT TYPE TO ANY PROSPECTIVE MEMBER OF A DISCOUNT  
6 MEDICAL PLAN ORGANIZATION AND SHALL BE INCLUDED IN ANY MARKETING  
7 MATERIALS OR BROCHURES RELATING TO A DISCOUNT MEDICAL PLAN:

8 (1) A STATEMENT THAT THE DISCOUNT MEDICAL PLAN IS NOT  
9 INSURANCE;

10 (2) A STATEMENT THAT MEMBERSHIP IN THE DISCOUNT MEDICAL  
11 PLAN ENTITLES MEMBERS TO DISCOUNTS FOR CERTAIN MEDICAL SERVICES  
12 OFFERED BY PROVIDERS WHO HAVE AGREED TO PARTICIPATE IN THE DISCOUNT  
13 MEDICAL PLAN;

14 (3) A STATEMENT THAT THE DISCOUNT MEDICAL PLAN  
15 ORGANIZATION ITSELF DOES NOT PAY PROVIDERS OF MEDICAL SERVICES FOR  
16 SERVICES PROVIDED TO PLAN MEMBERS;

17 (4) A STATEMENT THAT THE PLAN MEMBER IS REQUIRED TO PAY  
18 FOR ANY MEDICAL SERVICE PROVIDED, BUT IS ENTITLED TO RECEIVE A  
19 DISCOUNT ON CERTAIN IDENTIFIED MEDICAL SERVICES FROM THOSE  
20 PROVIDERS WHO HAVE CONTRACTED WITH THE DISCOUNT MEDICAL PLAN  
21 ORGANIZATION;

22 (5) A DESCRIPTION OF THE MEDICAL SERVICES SUBJECT TO  
23 DISCOUNT, A DESCRIPTION OF THE DISCOUNTS THAT THE PLAN MEMBER IS  
24 ENTITLED TO RECEIVE, AND THE MECHANISM BY WHICH A CURRENT OR  
25 PROSPECTIVE PLAN MEMBER CAN OBTAIN THE NAMES OF THE PROVIDERS THAT  
26 HAVE CONTRACTED WITH THE DISCOUNT MEDICAL PLAN ORGANIZATION TO  
27 OFFER DISCOUNTS TO PLAN MEMBERS;

28 (6) THE NAME, LOCATION, AND CONTACT INFORMATION,  
29 INCLUDING A TELEPHONE NUMBER, FOR THE DISCOUNT MEDICAL PLAN  
30 ORGANIZATION;

(7) ALL FEES, DUES, CHARGES, OR OTHER FINANCIAL  
CONSIDERATION TO BE PAID BY THE PLAN MEMBER WITH RESPECT TO THE  
MEMBER'S PARTICIPATION IN THE DISCOUNT MEDICAL PLAN, INCLUDING ALL  
FEES OR CHARGES RELATING TO THE PROCESSING OF DISCOUNTS OR BILLING;

(8) (i) IF A DISCOUNT MEDICAL PLAN OFFERS HOSPITAL SERVICES IN OTHER STATES, A STATEMENT THAT THE DISCOUNT MEDICAL PLAN DOES NOT AND MAY NOT BY LAW OFFER A DISCOUNT ON HOSPITAL SERVICES IN MARYLAND; OR

(II) IF A DISCOUNT MEDICAL PLAN DOES NOT OFFER HOSPITAL SERVICES IN OTHER STATES, A STATEMENT THAT THE DISCOUNT MEDICAL PLAN DOES NOT OFFER A DISCOUNT ON HOSPITAL SERVICES; AND

(9) IF APPLICABLE, A STATEMENT THAT A NOMINAL FEE ASSOCIATED WITH ENROLLMENT COSTS WILL BE RETAINED BY THE DISCOUNT MEDICAL PLAN ORGANIZATION, IN ACCORDANCE WITH § 14-608(A) OF THIS SUBTITLE, IF MEMBERSHIP IS CANCELED WITHIN THE FIRST 30 CALENDAR DAYS AFTER THE EFFECTIVE DATE OF ENROLLMENT.

(B) THE FOLLOWING DISCLOSURES SHALL BE MADE IN WRITING PRINTED IN 12 POINT TYPE TO ANY PROSPECTIVE MEMBER OF A DISCOUNT DRUG PLAN ORGANIZATION AND SHALL BE INCLUDED IN ANY MARKETING MATERIALS OR BROCHURES RELATING TO A DISCOUNT DRUG PLAN:

(1) A STATEMENT THAT THE DISCOUNT DRUG PLAN IS NOT:

**(I) INSURANCE: OR**

## (II) A MEDICARE PRESCRIPTION DRUG PLAN:

(2) A STATEMENT THAT MEMBERSHIP IN THE DISCOUNT DRUG PLAN ENTITLES MEMBERS TO DISCOUNTS FOR CERTAIN PHARMACEUTICAL SUPPLIES, PRESCRIPTION DRUGS, OR MEDICAL EQUIPMENT AND SUPPLIES OFFERED BY PROVIDERS WHO HAVE AGREED TO PARTICIPATE IN THE DISCOUNT DRUG PLAN;

(3) A STATEMENT THAT THE DISCOUNT DRUG PLAN  
ORGANIZATION ITSELF DOES NOT PAY PROVIDERS OF PHARMACEUTICAL

1   **SUPPLIES, PRESCRIPTION DRUGS, AND MEDICAL EQUIPMENT AND SUPPLIES**  
2   **PROVIDED TO PLAN MEMBERS;**

3                   **(4) A STATEMENT THAT THE DISCOUNT DRUG PLAN MEMBER IS**  
4   **REQUIRED TO PAY FOR ALL PHARMACEUTICAL SUPPLIES, PRESCRIPTION**  
5   **DRUGS, AND MEDICAL EQUIPMENT AND SUPPLIES PROVIDED, BUT IS ENTITLED**  
6   **TO RECEIVE A DISCOUNT ON CERTAIN IDENTIFIED PHARMACEUTICAL SUPPLIES,**  
7   **PRESCRIPTION DRUGS, OR MEDICAL EQUIPMENT AND SUPPLIES FROM THOSE**  
8   **PROVIDERS WHO HAVE CONTRACTED WITH THE DISCOUNT DRUG PLAN**  
9   **ORGANIZATION;**

10                   **(5) A DESCRIPTION OF THE DISCOUNTS THAT THE DISCOUNT**  
11   **DRUG PLAN MEMBER IS ENTITLED TO RECEIVE AND THE MECHANISM BY WHICH**  
12   **A CURRENT OR PROSPECTIVE PLAN MEMBER CAN OBTAIN:**

13                   **(I) UNLESS THE DISCOUNT DRUG PLAN OFFERS AN OPEN**  
14   **FORMULARY, A LISTING OF THE ITEMS, INCLUDING PRESCRIPTION DRUGS,**  
15   **SUBJECT TO DISCOUNT; AND**

16                   **(II) THE NAMES OF THE PROVIDERS WHO HAVE**  
17   **CONTRACTED TO OFFER DISCOUNTS TO PLAN MEMBERS;**

18                   **(6) THE NAME, LOCATION, AND CONTACT INFORMATION,**  
19   **INCLUDING A TELEPHONE NUMBER, FOR THE DISCOUNT DRUG PLAN**  
20   **ORGANIZATION;**

21                   **(7) ALL FEES, DUES, CHARGES, OR OTHER FINANCIAL**  
22   **CONSIDERATION TO BE PAID BY THE PLAN MEMBER WITH RESPECT TO THE**  
23   **MEMBER'S PARTICIPATION IN THE DISCOUNT DRUG PLAN, INCLUDING ALL FEES**  
24   **OR CHARGES RELATING TO THE PROCESSING OF DISCOUNTS OR BILLING; AND**

25                   **(8) IF APPLICABLE, A STATEMENT THAT A NOMINAL FEE**  
26   **ASSOCIATED WITH ENROLLMENT COSTS WILL BE RETAINED BY THE DISCOUNT**  
27   **DRUG PLAN ORGANIZATION, IN ACCORDANCE WITH § 14-608(A) OF THIS**  
28   **SUBTITLE, IF MEMBERSHIP IS CANCELED WITHIN THE FIRST 30 CALENDAR DAYS**  
29   **AFTER THE EFFECTIVE DATE OF ENROLLMENT.**

1                   **(C) IF A DISCOUNT MEDICAL PLAN OR A DISCOUNT DRUG PLAN IS SOLD,**  
2 **MARKETED, OR SOLICITED BY TELEPHONE, THE DISCLOSURES REQUIRED BY**  
3 **SUBSECTIONS (A) AND (B) OF THIS SECTION SHALL BE:**

4                   **(1) MADE ORALLY; AND**

5                   **(2) INCLUDED WITH THE MEMBERSHIP CARD WHEN MAILED TO**  
6 **THE PROSPECTIVE PLAN MEMBER.**

7                   **(D) THE FOLLOWING DISCLOSURES SHALL BE MADE IN WRITING IN 12**  
8 **POINT TYPE IN ANY ADVERTISEMENT RELATING TO A DISCOUNT MEDICAL PLAN:**

9                   **(1) A STATEMENT THAT THE DISCOUNT MEDICAL PLAN IS NOT**  
10 **INSURANCE;**

11                   **(2) A STATEMENT THAT MEMBERSHIP IN THE DISCOUNT MEDICAL**  
12 **PLAN ENTITLES MEMBERS TO DISCOUNTS FOR CERTAIN MEDICAL SERVICES**  
13 **OFFERED BY PROVIDERS WHO HAVE AGREED TO PARTICIPATE IN THE DISCOUNT**  
14 **MEDICAL PLAN;**

15                   **(3) A STATEMENT THAT THE PLAN MEMBER, AND NOT THE**  
16 **DISCOUNT MEDICAL PLAN ORGANIZATION, IS REQUIRED TO PAY FOR ALL**  
17 **MEDICAL SERVICES PROVIDED;**

18                   **(4) THE NAME, LOCATION, AND CONTACT INFORMATION,**  
19 **INCLUDING A TELEPHONE NUMBER, FOR THE DISCOUNT MEDICAL PLAN**  
20 **ORGANIZATION;**

21                   **(5) A STATEMENT OF THE MECHANISM BY WHICH A PROSPECTIVE**  
22 **PLAN MEMBER MAY OBTAIN THE NAMES OF THE PROVIDERS WHO HAVE**  
23 **CONTRACTED TO OFFER DISCOUNTS TO PLAN MEMBERS; AND**

24                   **(6) (I) IF A DISCOUNT MEDICAL PLAN OFFERS HOSPITAL**  
25 **SERVICES IN OTHER STATES, A STATEMENT THAT THE DISCOUNT MEDICAL PLAN**  
26 **DOES NOT AND MAY NOT BY LAW OFFER A DISCOUNT ON HOSPITAL SERVICES IN**  
27 **MARYLAND; OR**

(II) IF A DISCOUNT MEDICAL PLAN DOES NOT OFFER HOSPITAL SERVICES IN OTHER STATES, A STATEMENT THAT THE DISCOUNT MEDICAL PLAN DOES NOT OFFER A DISCOUNT ON HOSPITAL SERVICES.

(E) THE FOLLOWING DISCLOSURES SHALL BE MADE IN WRITING IN 12 POINT TYPE IN ANY ADVERTISEMENT RELATING TO A DISCOUNT DRUG PLAN:

**(1) A STATEMENT THAT THE DISCOUNT DRUG PLAN IS NOT:**

**(I) INSURANCE; OR**

**(II) A MEDICARE PRESCRIPTION DRUG PLAN;**

14 (3) A STATEMENT THAT THE PLAN MEMBER, AND NOT THE  
15 DISCOUNT DRUG PLAN ORGANIZATION, IS REQUIRED TO PAY FOR ALL  
16 PHARMACEUTICAL SUPPLIES, PRESCRIPTION DRUGS, OR MEDICAL EQUIPMENT  
17 AND SUPPLIES PROVIDED;

18 (4) THE NAME, LOCATION, AND CONTACT INFORMATION,  
19 INCLUDING A TELEPHONE NUMBER, FOR THE DISCOUNT DRUG PLAN  
20 ORGANIZATION; AND

24 14-608.

25 (A) (1) IF MEMBERSHIP IN A DISCOUNT MEDICAL PLAN OR A  
26 DISCOUNT DRUG PLAN IS CANCELED WITHIN THE FIRST 30 CALENDAR DAYS  
27 AFTER THE EFFECTIVE DATE OF ENROLLMENT, ALL FEES, DUES, CHARGES, OR  
28 OTHER FINANCIAL CONSIDERATION, EXCEPT A NOMINAL FEE ASSOCIATED WITH  
29 ENROLLMENT COSTS THAT WERE PART OF THE COST OF THE DISCOUNT

1 MEDICAL PLAN CARD OR THE DISCOUNT DRUG PLAN CARD, SHALL BE  
2 REFUNDED TO THE PAYOR ON RETURN OF THE DISCOUNT MEDICAL PLAN CARD  
3 TO THE DISCOUNT MEDICAL PLAN ORGANIZATION OR RETURN OF THE  
4 DISCOUNT DRUG PLAN CARD TO THE DISCOUNT DRUG PLAN ORGANIZATION.

5 (2) THE COMMISSIONER, IN CONSULTATION WITH THE  
6 ATTORNEY GENERAL, SHALL ADOPT REGULATIONS THAT ESTABLISH  
7 STANDARDS FOR DETERMINING THE NOMINAL FEE ASSOCIATED WITH  
8 ENROLLMENT COSTS THAT MAY BE RETAINED BY A DISCOUNT MEDICAL PLAN  
9 ORGANIZATION OR A DISCOUNT DRUG PLAN ORGANIZATION UNDER THIS  
10 SUBSECTION.

11 (3) ANY REGULATION ADOPTED UNDER THIS SUBSECTION SHALL  
12 INCLUDE A CAP ON THE NOMINAL FEE THAT MAY BE RETAINED.

13 (B) IF A DISCOUNT MEDICAL PLAN ORGANIZATION OR A DISCOUNT  
14 DRUG PLAN ORGANIZATION CANCELS A MEMBERSHIP FOR ANY REASON OTHER  
15 THAN NONPAYMENT, THE DISCOUNT MEDICAL PLAN ORGANIZATION OR  
16 DISCOUNT DRUG PLAN ORGANIZATION SHALL MAKE A PRO RATA REFUND TO  
17 THE PAYOR OF ALL FEES, DUES, CHARGES, OR OTHER FINANCIAL  
18 CONSIDERATION WITHIN 30 CALENDAR DAYS AFTER THE DATE OF  
19 CANCELLATION.

20 **14-609.**

21 (A) EACH DISCOUNT MEDICAL PLAN ORGANIZATION AND EACH  
22 DISCOUNT DRUG ORGANIZATION SHALL PROVIDE TO A PLAN MEMBER OR TO A  
23 PLAN MEMBER FOR THE MEMBER'S FAMILY A DISCOUNT CARD THAT INCLUDES,  
24 AT A MINIMUM, THE FOLLOWING DATA ELEMENTS:

25 (1) A STATEMENT THAT THE DISCOUNT MEDICAL PLAN OR  
26 DISCOUNT DRUG PLAN IS NOT INSURANCE;

27 (2) (I) THE NAME OR IDENTIFYING TRADEMARK OF THE  
28 DISCOUNT MEDICAL PLAN ORGANIZATION OR THE DISCOUNT DRUG PLAN  
29 ORGANIZATION; OR

6 (B) (1) IF A CHANGE OCCURS IN THE DATA ELEMENT REQUIRED  
7 UNDER SUBSECTION (A)(3) OF THIS SECTION, A DISCOUNT MEDICAL PLAN  
8 ORGANIZATION OR A DISCOUNT DRUG PLAN ORGANIZATION SHALL REISSUE A  
9 DISCOUNT CARD.

14                   **(c) EACH DISCOUNT CARD PROVIDED UNDER SUBSECTION (A) OF THIS**  
15                   **SECTION SHALL:**

16 (1) INCLUDE A STATEMENT THAT THE DISCOUNT MEDICAL PLAN  
17 OR DISCOUNT DRUG PLAN IS NOT A MEDICARE PRESCRIPTION DRUG PLAN; OR

21 14-610.

26 (B) THE EXAMINATION SHALL BE CONDUCTED IN ACCORDANCE WITH §  
27 2-207 OF THIS ARTICLE.

28 (C) THE EXPENSE OF THE EXAMINATION SHALL BE PAID IN  
29 ACCORDANCE WITH § 2-208 OF THIS ARTICLE.

1                   (D) THE REPORTS OF THE EXAMINATION AND INVESTIGATION SHALL BE  
2 ISSUED IN ACCORDANCE WITH § 2-209 OF THIS ARTICLE.

3                   **14-611.**

4                   (A) TO ENFORCE THIS SUBTITLE AND ANY REGULATION ADOPTED  
5 UNDER IT, THE COMMISSIONER MAY ISSUE AN ORDER:

6                   (1) THAT REQUIRES THE VIOLATOR TO CEASE AND DESIST FROM  
7 THE IDENTIFIED VIOLATION AND FURTHER SIMILAR VIOLATIONS;

8                   (2) THAT REQUIRES THE VIOLATOR TO TAKE SPECIFIC  
9 AFFIRMATIVE ACTION TO CORRECT THE VIOLATION;

10                   (3) THAT REQUIRES THE VIOLATOR TO MAKE RESTITUTION OF  
11 MONEY, PROPERTY, OR OTHER ASSETS TO A PERSON WHO HAS SUFFERED  
12 FINANCIAL INJURY BECAUSE OF THE VIOLATION; OR

13                   (4) THAT REQUIRES A DISCOUNT MEDICAL PLAN ORGANIZATION  
14 OR A DISCOUNT DRUG PLAN ORGANIZATION TO MAKE RESTITUTION OF MONEY,  
15 PROPERTY, OR OTHER ASSETS TO A PERSON WHO HAS SUFFERED FINANCIAL  
16 INJURY BECAUSE OF A VIOLATION BY ANY PERSON AUTHORIZED TO SELL,  
17 MARKET, SOLICIT, OR ADMINISTER A DISCOUNT MEDICAL PLAN OR DISCOUNT  
18 DRUG PLAN ESTABLISHED BY THE DISCOUNT MEDICAL PLAN ORGANIZATION OR  
19 DISCOUNT DRUG PLAN ORGANIZATION WHILE THE PERSON IS ACTING WITH THE  
20 ACTUAL OR APPARENT AUTHORITY OF THE DISCOUNT MEDICAL PLAN  
21 ORGANIZATION OR DISCOUNT DRUG PLAN ORGANIZATION.

22                   (B) (1) AN ORDER OF THE COMMISSIONER ISSUED UNDER THIS  
23 SECTION MAY BE SERVED ON A VIOLATOR WHO IS REGISTERED UNDER THIS  
24 SUBTITLE IN THE MANNER PROVIDED IN TITLE 2 OF THIS ARTICLE.

25                   (2) AN ORDER OF THE COMMISSIONER ISSUED UNDER THIS  
26 SECTION MAY BE SERVED ON A VIOLATOR THAT IS NOT REGISTERED UNDER  
27 THIS SUBTITLE IN THE MANNER PROVIDED FOR SERVICE ON AN UNAUTHORIZED  
28 INSURER THAT DOES AN ACT OF INSURANCE BUSINESS IN TITLE 4 OF THIS  
29 ARTICLE.

13                   **(C) (1) IN ADDITION TO ANY OTHER ENFORCEMENT ACTION TAKEN**  
14                   **BY THE COMMISSIONER UNDER THIS SECTION, THE COMMISSIONER MAY**  
15                   **IMPOSE A CIVIL PENALTY OF NOT MORE THAN \$10,000 FOR EACH VIOLATION OF**  
16                   **THIS SUBTITLE.**

23 14-612.

24           **THE COMMISSIONER SHALL ADOPT REGULATIONS TO CARRY OUT THE**  
25           **PROVISIONS OF THIS SUBTITLE.**

26 SECTION 2. AND BE IT FURTHER ENACTED, That the Maryland Insurance  
27 Commissioner shall:

(2) on or before December 31, 2008, report on the findings of the review, in accordance with § 2-1246 of the State Government Article, to the House Health and Government Operations Committee and the Senate Finance Committee.

4 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
5 October 1, 2007.