

## CHAPTER 609

(House Bill 487)

AN ACT concerning

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

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

BY repealing and reenacting, with amendments,  
 Article – Insurance  
 Section 14–115(e)(6) and (g) and 14–139(d)  
 Annotated Code of Maryland  
 (2006 Replacement Volume and 2006 Supplement)

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

#### **Article – Insurance**

14–115.

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

- (i) [two] **THREE** full terms; or
- (ii) a total of more than [6] **9** years.

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

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

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

~~(I)~~ **BOARD MEMBERS MAY RECEIVE THE FOLLOWING COMPENSATION:**

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

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

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

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

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

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

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

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

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

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

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

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

14-139.

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

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

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

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

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

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

(3) The board shall:

(i) provide a copy of the approved guidelines:

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

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

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

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

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

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

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

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

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

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

**Approved by the Governor, May 17, 2007.**