

**Department of Legislative Services**

Maryland General Assembly

2007 Session

**FISCAL AND POLICY NOTE**

**Revised**

Senate Bill 936

(Senator Klausmeier, *et al.*)

Finance

Health and Government Operations

---

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

---

This bill extends the term limit for a board member of a nonprofit health service plan to a maximum of three full terms or a total of nine years and specifies that board members may receive reimbursement for ordinary and necessary expenses, an amount of base compensation, and compensation for attendance at meetings proposed by the Compensation Committee of the board and annually reviewed by the Insurance Commissioner.

---

**Fiscal Summary**

**State Effect:** The bill's requirements could be handled with existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** None.

---

**Analysis**

**Bill Summary:** The bill requires the Compensation Committee of a board to develop proposed guidelines for compensation of board members that is reasonable in comparison to compensation for board members of similar nonprofit health service plans. A copy of the approved guidelines must be provided to each board members and the Insurance Commissioner. The Insurance Commissioner must annually review board member compensation and may issue an order prohibiting payment if the Commissioner finds that the compensation exceeds the amount authorized under the approved guidelines. By June

30 of each year, each nonprofit health service plan must submit a report to the Commissioner on 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 the proposed annual compensation to be paid to board members for the next calendar year.

**Current Law:** The business and affairs of a nonprofit health service plan must be managed under the direction of a board of directors. Board members may not serve for more than two full terms or a total of more than six years. Excluding reimbursement for ordinary and necessary expenses, a board member's compensation is limited to \$15,000 for the chairman or a board member who is the chairman of a committee or to \$12,000 for other members. The Insurance Commissioner may revoke a plan's certificate of authority to operate in this State if the Commissioner has reason to believe the plan is not complying with any provision of the Insurance Article. The Compensation Committee of a board must develop guidelines for compensation of officers and executives, which is subject to review and may be prohibited if found excessive by the Insurance Commissioner.

**Background:** Three nonprofit health service plans are registered with MIA, CareFirst of Maryland, Inc.; Graphic Arts Benefit Corporation; and Denta-Chek of Maryland, Inc. Maryland's largest nonprofit health service plan is CareFirst BlueCross BlueShield. According to CareFirst's 2005 annual report, there were 23 members of the board.

---

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 487 (Delegate Morhaim) – Health and Government Operations.

**Information Source(s):** Maryland Insurance Administration, Department of Legislative Services

**Fiscal Note History:** First Reader - March 12, 2007  
ncs/jr Revised - Senate Third Reader - April 3, 2007

---

Analysis by: Jennifer B. Chasse

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510