FISCAL AND POLICY NOTE

House Bill 395	(Chair, Health and Government Operations)	
	(By Request – Departmental – Insurance Administration,	Maryland)
Health and Government Operations Final		

Health Insurance Carriers - Financial Reporting

This departmental bill repeals the requirement that a managed care organization file a consolidated financial statement and instead requires each MCO to submit an audited financial statement, but at a later date.

Fiscal Summary

State Effect: None. The change is procedural/technical in nature and would not directly affect governmental finances.

Local Effect: None.

Small Business Effect: The Maryland Insurance Administration has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Bill Summary: Annually by March 1, each MCO must file a report that shows the financial condition of the MCO on the last day of the preceding calendar year and any other information the Insurance Commissioner requires by bulletin or regulation. The Insurance Commissioner may require an MCO to file an interim statement at any time.

Annually by June 1, each MCO must file an audited financial report for the preceding calendar year. This report must be certified by an audit of an independent certified public accountant.

All reports must be filed with the Insurance Commissioner, in a form required by the Insurance Commissioner, and are a public record.

Current Law: Each MCO is required, annually on or before March 1, to submit an annual report that includes a consolidated financial statement. The consolidated financial statement must cover the MCO and each of its affiliates and consist of the financial statements of the MCO and each of its affiliates in accordance with statutory accounting principles. State regulations require each MCO to submit annual and quarterly audited financial reports to the MIA.

Background: MIA has found that MCOs cannot comply with the consolidated financial statement requirement. While MCOs report under statutory accounting principles, their affiliates follow U.S. Generally Accepted Accounting Principles thereby prohibiting submission of consolidated statements.

The statutory deadline for most regulated entities to file their audited financial statements is June 1, rather than March 1. According to MIA, changing the due date for the report is intended to remove an unnecessary filing burden for MCOs.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - February 5, 2008 ncs/ljm

Analysis by: Jennifer B. Chasse

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