

Department of Legislative Services  
Maryland General Assembly  
2009 Session

FISCAL AND POLICY NOTE

House Bill 1534 (Delegate Pendergrass, *et al.*)  
Health and Government Operations

Finance

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Nonprofit Health Service Plans - Hearing and Order - Impact of Law by Another State

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This bill authorizes the Maryland Insurance Commissioner to hold a hearing if another state enacts a law that requires a nonprofit health service plan operating in Maryland to provide a program or benefits for the residents of the other state. The Commissioner has to determine whether the impact on the nonprofit health service plan is harmful to the interests of subscribers covered by policies issued or delivered in Maryland and issue an appropriate order to protect the subscribers, where necessary.

The bill takes effect June 1, 2009.

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Fiscal Summary

**State Effect:** According to the Maryland Insurance Administration, any expenses to conduct the required hearing must be paid by the nonprofit health service plan that is the subject of the examination. No effect on revenues.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Bill Summary:** The hearing must review and evaluate the impact of the law on the nonprofit health service plan, including the impact on surplus, premium rates for policies issued or delivered in Maryland, and solvency. The order may prohibit the nonprofit health service plan from subsidizing the program or benefits for the residents of another

state through premiums charged to subscribers under policies issued or delivered in Maryland or use of any surplus earned through policies issued or delivered in Maryland.

**Current Law:** The Commissioner may conduct any investigation or hearing necessary to enforce health insurance laws. In conducting a hearing or investigation, the Commissioner has the same powers with respect to nonprofit health service plans as are granted to the Commissioner with respect to any other activity regulated under the Insurance Article. The expense incurred in an examination has to be paid by the person examined.

**Background:** In June 2008, the Office of the Attorney General for the District of Columbia sued CareFirst BlueCross BlueShield alleging that CareFirst's DC affiliate, Group Hospitalization and Medical Services, Inc. (GHMSI), has not fulfilled its obligation as a charitable institution.

In December 2008, the DC City Council approved the Medical Insurance Empowerment Amendment Act of 2008. This Act requires the Commissioner for the Department of Insurance, Securities, and Banking to determine whether the portion of CareFirst's surplus attributable to DC is excessive and order CareFirst to divest itself of excessive surplus through community health reinvestment. CareFirst is prohibited from converting to a for-profit entity. CareFirst must continue to offer, set specified affordability and adequacy standards for, and advertise the availability of the open enrollment program. More specifically, CareFirst must make the open enrollment program available to a minimum of 2,500 subscribers from DC and may not charge a premium that exceeds 125% of standard market rates.

CareFirst offers open enrollment plans in DC and Virginia. In DC, the open enrollment program is the carrier of last resort in the individual market. Coverage is available to residents younger than age 65 regardless of health condition with no medical underwriting. Rates are based on age and the type of coverage selected.

As of December 31, 2008, GHMSI had 1,021,783 enrollees. Of these enrollees, 527,493 are in DC (including 347,426 federal employees), 319,299 are in Maryland, and 174,991 are in Virginia.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** CareFirst Blue Cross Blue Shield, Maryland Health Insurance Plan, Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

**Fiscal Note History:** First Reader - March 24, 2009  
ncs/mwc

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