

SENATE BILL 230

C4

2lr0088

By: **Chair, Finance Committee (By Request – Departmental – Insurance Administration, Maryland)**

Introduced and read first time: January 20, 2012

Assigned to: Finance

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: February 21, 2012

CHAPTER _____

1 AN ACT concerning

2 **Insurance – Maryland Health Care Provider Rate Stabilization Fund**

3 FOR the purpose of altering the time at which certain professional liability insurers
4 seeking reimbursement from the Rate Stabilization Account of the Maryland
5 Health Care Provider Rate Stabilization Fund on behalf of certain health care
6 providers are required to make a certain determination, send a certain notice,
7 and apply to the Rate Stabilization Account for reimbursement; repealing a
8 requirement that money be disbursed from the Rate Stabilization Account on a
9 quarterly basis; repealing ~~a certain audit requirement~~ requirements; requiring
10 the Secretary of Health and Mental Hygiene, instead of the Maryland Insurance
11 Commissioner, ~~to include a certain audit in a certain annual report and~~ to
12 report to a certain committee of the General Assembly on or before a certain
13 date each year; altering the contents of a certain report; and generally relating
14 to the Maryland Health Care Provider Rate Stabilization Fund.

15 BY repealing and reenacting, with amendments,
16 Article – Insurance
17 Section 19–805 and 19–808
18 Annotated Code of Maryland
19 (2011 Replacement Volume)

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1

Article – Insurance

2 19–805.

3 (a) (1) Participation in the Fund by a medical professional liability
4 insurer shall be voluntary.

5 (2) [On at least an annual basis, a] A medical professional liability
6 insurer seeking reimbursement from the Rate Stabilization Account shall:

7 (i) determine the amount of the subsidy for each policyholder;
8 and

9 (ii) send a written notice to each policyholder stating:

10 1. the amount of the estimated annual subsidy provided
11 by the State; and

12 2. the procedure a health care provider shall follow if
13 electing not to receive a rate reduction, credit, or refund.

14 (b) Subject to § 19–804(d) of this subtitle and subsection (c) of this section,
15 the subsidy provided to each policyholder shall be:

16 (1) for medical professional liability insurance policies subject to rates
17 that were approved for an initial effective date on or after January 1, 2005, but prior
18 to January 1, 2006, the amount of a premium increase that is greater than 5% of the
19 approved rates in effect 1 year prior to the effective date of the policy; and

20 (2) for medical professional liability insurance policies subject to rates
21 that were approved for an initial effective date on or after January 1, 2006, a
22 percentage of the policyholder's premium for the prior year that equals the quotient,
23 measured as a percentage of the balance of the Rate Stabilization Account for the
24 current calendar year divided by the aggregate amount of premiums for medical
25 professional liability insurance that would have been paid by health care providers at
26 the approved rate during the prior calendar year.

27 (c) The State subsidy calculated under subsection (b) of this section may not
28 include the amount of a rate increase resulting from a premium surcharge or the loss
29 of a discount due to a health care provider's loss experience.

30 (d) A health care provider may elect not to receive a rate reduction, credit, or
31 refund by:

32 (1) notifying the medical professional liability insurer within 15 days
33 of receiving the notice under subsection (a) of this section of the health care provider's
34 intent not to accept a rate reduction, credit, or refund; and

1 (2) paying, either in full, or on an installment basis, the amount of
2 premium billed by the medical professional liability insurer.

3 (e) (1) [On at least an annual basis, a] **A** medical professional liability
4 insurer seeking reimbursement from the Rate Stabilization Account on behalf of
5 health care providers shall apply to the Rate Stabilization Account **ON OR BEFORE**
6 **SEPTEMBER 30, 2012**, on a form and in a manner approved by the Commissioner.

7 (2) The Commissioner may adopt regulations that specify the
8 information that medical professional liability insurers shall submit to receive money
9 from the Rate Stabilization Account.

10 (3) The information required shall include:

11 (i) by health care provider classification and geographic
12 territory, the amount of the base premium rate charged by the insurer at the approved
13 rate;

14 (ii) by health care provider classification and geographic
15 territory, the amount of the base premium rate charged by the insurer reduced by the
16 amount of the subsidy;

17 (iii) the number of health care providers in each classification
18 and geographic territory;

19 (iv) the total amount of reimbursement requested from the Rate
20 Stabilization Account;

21 (v) the name, classification, and geographic territory of each
22 health care provider electing not to receive a rate reduction, credit, or refund; and

23 (vi) any other information the Commissioner considers
24 necessary to disburse money from the Rate Stabilization Account.

25 (f) Within 60 days of receipt of a request for reimbursement from the Fund,
26 the Commissioner shall disburse money from the Rate Stabilization Account [on a
27 quarterly basis] to medical professional liability insurers to be used to provide a rate
28 reduction, credit, or refund to health care providers.

29 (g) In anticipation of reimbursement or on reimbursement from the Rate
30 Stabilization Account, a medical professional liability insurer shall provide a rate
31 reduction, credit, or refund to a policyholder as follows:

32 (1) for premiums paid on an installment basis, the rate reduction or
33 credit shall be applied against the base premium rate due on the next installment; and

1 (2) if the amount of the rate reduction or credit is more than the
 2 amount due on the next installment, or if a policy is paid in full, the policyholder may
 3 elect that either a refund be issued, or that a credit be applied against the base
 4 premium rate due on the policyholder's next renewal.

5 (h) During the period in which disbursements are made from the Rate
 6 Stabilization Account to pay for health care provider rate reductions, credits, or
 7 refunds:

8 (1) a disbursement from the Rate Stabilization Account to a medical
 9 professional liability insurer conducting business as a mutual company shall be
 10 reduced by the value of a dividend that may be issued by the insurer; and

11 (2) a disbursement may not be made from the Rate Stabilization
 12 Account to the Medical Mutual Liability Insurance Society of Maryland during any
 13 period for which the Commissioner has determined, under § 24-212 of this article,
 14 that the surplus of the Society is excessive.

15 [(i) The Commissioner or the Commissioner's designee shall conduct an
 16 annual audit to verify the information submitted by a medical professional liability
 17 insurer applying for reimbursement from the Rate Stabilization Account.]

18 19-808.

19 (a) ~~Each year the Office of Legislative Audits shall audit the receipts and~~
 20 ~~disbursements of the Fund and the [Commissioner] SECRETARY OF HEALTH AND~~
 21 ~~MENTAL HYGIENE shall include the audit as a part of the annual report required~~
 22 ~~under subsection (c) of this section.~~

23 ~~(b)~~ The Fund, the Rate Stabilization Account, and the Medical Assistance
 24 Program Account shall be used only for the purposes stated in this subtitle.

25 ~~(b)~~ (B) On or before March 15 of each year, the [Commissioner]
 26 SECRETARY OF HEALTH AND MENTAL HYGIENE shall report to the Legislative
 27 Policy Committee, in accordance with § 2-1246 of the State Government Article, on:

28 [(1) for each year that an allocation is made to the Rate Stabilization
 29 Account:

30 (i) the amount of money applied for by medical professional
 31 liability insurers during the previous calendar year;

32 (ii) by classification and geographic territory, the amount of
 33 money disbursed to medical professional liability insurers on behalf of health care
 34 providers during the previous calendar year;

1 (iii) by classification and geographic territory, the number of
 2 health care providers electing not to receive a rate reduction, credit, or refund in the
 3 previous calendar year;

4 (iv) the costs incurred by the Commissioner in administering the
 5 Rate Stabilization Account during the previous calendar year, including a justification
 6 of the audit costs incurred under § 19–805(i) of this subtitle; and

7 (v) the amount of money available in the Rate Stabilization
 8 Account on the last day of the previous calendar year;

9 (2) the amount of money available in the Fund and the Medical
 10 Assistance Program Account on the last day of the previous calendar year;

11 (3) (i) **(1)** the amount of money disbursed to the Maryland
 12 Medical Assistance Program under § 19–807 of this subtitle;

13 [(ii) **(2)** the amount of increase in fee–for–service health care
 14 provider rates; and

15 [(iii) **(3)** the amount of increase in capitation payments to
 16 managed care organizations]; and

17 (4) the report of audited receipts and disbursements of the Fund as
 18 required under subsection (a) of this section].

19 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
 20 July 1, 2012.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.